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Vol. IV

TRANSCRIPT OF RECORD

Supreme Court of the United States

OCTOBER TERM, 1940

No. 330

OPP COTTON MILLS, INC., ET AL., PETITIONERS,

vs.

ADMINISTRATOR OF THE WAGE AND HOUR DIVISION OF THE DEPARTMENT OF LABOR

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIFTH CIRCUIT

PETITION FOR CERTIORARI FILED AUGUST 13, 1940.

CERTIORARI GRANTED OCTOBER 14, 1940.

TRANSCRIPT OF RECORD

TESTIMONY

Volume IV

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Respondent.

Petition for Writ of Certiorari to the United States Circuit Court of Appeals for the Fifth Circuit

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TESTIMONY OF GOVERNOR HUGH WHITE—(1928)

After stating that he was Governor of Mississippi, the witness testified as follows:

"The South neither asks nor wants any favors. But it does ask fair play. It has asked, does ask, and will continue to ask consideration for the special conditions resulting from a disadvantageous tariff, policy, from high cost of credit, and for a revaluation of freight-rate schedules . . ."

I quote:

> "Allowance for these proposals was done . . . by providing in the law that in the determination of wage orders consideration shall be given such factors as transportation, production, living costs."

I quoted from the address of Elmer F. Andrews in Birmingham last September 29, and, sir, it is in the spirit of those remarks that I come before you. I come because recommendations of the majority of Industry (1930) Committee Number One are in direct violation of the spirit of those remarks, and of the intent of the law to which they refer. The protest I make today is not a protest against the

Wage and Hour Act, or against the worthy goal of achieving for all our people a wage scale upon which they can live in decency and comfort. It is towards the fulfillment of that very goal that we of Mississippi are bending our energies and expending both state and local funds.

The protest I make, the protest which every Southerner interested in the welfare of those about him makes, is a protest against perversion of the spirit and intent of the Act; perversion which would make of this constructive legislation another political tool fostering sectional domination, scuttling Southern progress, and widening a breach which already is giving cause for alarm to those who believe that America can remain a democracy devoid of internal difficulties.

To avoid such perversion, to comply with the spirit and letter of the Act, to keep faith with the assurances of the administrator himself, the following first principles should be definitely recognized:

1. The purpose of this law is not to equalize or standardize existing economic or competitive conditions between different sections of the country. (1931) Its purpose is to abolish sweat shop conditions by establishing such reasonable floor under wages and ceiling over hours as will not substantially curtail employment.

2. This is social legislation. Its purpose is not to grant or deny a competitive advantage to the South or to New England. No power is delegated to Congress under the Constitution to "equalize" the natural advantages existing as between the different geographical regions of this great country. Congress recognized this first principle of the limitations under which the Fed-

eral Authority operates by providing that this law should be so administered as not to grant a competitive advantage as between regions.

3. With specific reference to the State I have the the honor to represent and, as I believe, in accordance with the intent of Congress, I feel that:

A. Wage differentials should be established which will compensate for existing inequalities in freight rates, such differentials to be continued until the inequalities are adjusted;

B. Exceptions should be made for beginners during a reasonable training period. (1932)

To do less would be to admit to the Southern states that the confidence manifested by their assistance in passing the Act had been betrayed, that in its operation the Act is no longer the Act of the national Congress but the Act of Industry Committee Number One and that under arbitrary maladministration the South is not to be accepted as a partner to the industry of the nation but a colonial stepchild not even permitted to process and manufacture its own greatest crop.

The states which seek parity and fair play before you today constitute an area which is popularly painted as the nation's foremost economic problem. My state is a part of that area. It is a state which throughout its history has existed upon an extractive economy dependent upon the sale of raw cotton and timber for the income with which to purchase manufactured articles from afar.

Faced with a shattered cotton market, with its lumber mills reduced in number from 1,435 in 1919 to 187 in 1933,

my state saw its total number of industrial wage earners in those same years drop from 57,000 to 27,000. . . . (1933)

Thus did small communities begin to provide buildings for small industries through which to absorb labor surplusses growing ever greater with curtailment of cotton and exhaustion of timber.

Thus in the first two years of Mississippi's industrial program did the number of its people earning their (1934) livelihood through industrial employment increase 26.6 per cent, with the average wage for those workmen approximately eleven times as great as the average earnings of their brothers on the farm.

The rising level of skilled employment offered in Mississippi's new plants is effectively illustrated by the fact that while number of employees increased 26.6 per cent, the total amount of wages paid rose 43 per cent. Equally illustrative of such an upward trend is the fact that while the number of employees increased 26.6 per cent and payrolls 43 per cent, the value of manufactured products went up 58.6 per cent.

Under such improvements in industrial activity Mississippi's receipts from its two per cent sales tax increased last year to an all-time record of $6,136,000.00, reflecting an increase in annual retail sales in four years from $153,000,000.00 to $307,000,000.00.

It is gains like this to which President Roosevelt must have referred this March when at Warm Springs, Georgia, he stated, "I think that we have done more in six years than in the previous sixty years all through these Southern states to make them self-supporting, to give them a balanced economy that will spell a higher wage scale, a greater pur-

chasing power, and a more abundant life than they have had in all their history." (1935) The President then, in telling the South what needed to be done, declared, "It means establishing your own enterprises down here with your own capital. That is part of the necessary economy if the South is to survive."

The President has recognized that the South needs more industries, industries which will process the South's own raw materials for the Southern market.

Supreme Court Justice William Douglas has been quoted as being convinced of the need for regional economy in the United States. In analyzing the causes behind the South's condition as the nation's Number One economic problem, he showed how capital has constantly been drained off to the East until today it is virtually impossible for the South to finance its own industry.

Long aware of the truth which President Roosevelt and Justice Douglas have called to the attention of the nation, we in Mississippi have begun an industrial development, which though still in its infancy, holds the most successful promise Mississippi has yet been seen of achieving true economic independence and freedom. We are proving in Mississippi that we can gradually and successfully bring about the happy condition which those who advocated the Wage and Hour Law hoped would come to pass.

Shall we then sacrifice Mississippi's infant textile (1936) industry by refusing to grant an exception in the case of beginners wages? Shall we have our baby industrial plants stabbed to death because they cannot walk before they have learned to crawl? Shall our sons and daughters be

chained to cutover timber acres and surplus cotton fields because they cannot compete overnight with the efficiency of experienced industrial workers?

In view of such facts the administrator will understand the protest of my people against a perversion of the law by a sectional majority of Industrial Committee Number One which would deny to Mississippians the opportunity to continue towards the economic salvation they seek—which would deny them the right to nurture their infant industries through their early development period—which would crush further progress and take from them even a part of that which so recently they have gained—which would impose upon them an unjust and arbitrary standard set by regional imperialists who in days gone by already have bled them white, a standard which the government itself does not recognize in the payment of wages under its relief program.

Cannot the administrator, despite the recommendations of a sectional majority of the Committee, foresee the reaction of my people and of millions like them in the South? Has not the administrator already sensed the (1937) fact that the Southern states of today will not be stopped by the heaping on of further injustice and abuse? Cannot he see that the South is becoming fed up with industrial tyranny and regional dictation, and that it is rapidly approaching the point of aggressive retaliation?

Surely the administrator cannot think that the South is so blind that it does not recognize the source of the proposal that has been recommended. Surely he does not think that by any clever camouflage the South can be convinced that lost payrolls, closed plants and prohibition of progress are symptoms of industrial improvement carefully planned by patriotic industrial experts.

Out of the heightened poverty, the increased unemployment, the empty mills, and bulging relief rolls which will follow such gross interpretation of the Act as is proposed by the majority of the Committee, I see but one cause for hope.

If the misinterpretation proposed by the majority be adopted, should the slap now poised now be delivered into our faces, the South will be jolted into the final recognition that it can expect no justice, not even consideration, for the development of its resources in the gradual education of its people to places of competence as industrial employees. (1938)

Mr. Administrator, "the South neither asks nor wants any favors. But it does ask fair play."

Only thus can our nation remain one loved by all its citizens, eliciting the confidence of every state and section, enjoying the respect which only just and impartial government can command. For, after all, Mr. Administrator, no law which does not benefit all can ever permanently benefit any.

I thank you, sir.

ADMINISTRATOR ANDREWS: Thank you, Governor.

TESTIMONY OF GOV. FRANK M. DIXON—(1938)

The witness, after stating that he was Governor of Alabama, and that he and Governor White were authorized to speak for Governor Bailey of Arkansas, testified as follows:

We appear in support of the recommendation of the minority of Industry Committee No. 1, not with the purpose or intent of arguing for a low wage level for our people, nor

joining with any of those who might seek to bring this condition about, but solely because we have been forced to the belief that in the administration of the Act, particularly the set-up of Industry Committee No. 1, and the decision of a majority of that Committee, the interests of the wage earners have been lost sight of and the Act is being used as a weapon in the economic warfare which now and for more than 100 years past has been waged by the industrialists of the North against the people of our Southern region.

The economic exploitation of our Southern region by the North has proceeded for than 100 years. Tariff subsidies, civil war pensions, freight rate differentials, control of credit and patent rights, these and many more devices have been used to retain in economic serfdom all of the states of the South, and of the West as well.

Our region has been used and retained to supply raw materials to be shipped to the manufacturing centers of the North and bought back by us as finished products. In consequence of this policy, deliberately conceived and deliberately executed by virtue of economic control, the resources of the South have been drained away, year (1941) after year, to enrich the North. Steadily our people have become poorer in comparison to those of the North, until today our per capita wealth is less than one-half the national average, and our per capita income a little more than one-half. On this level our schools and public health services cannot be adequately maintained, and our state and local governments cannot furnish the services essential in a modern state. The buying power of our people has been lowered to the point that they can no longer be worthwhile customers for the factories of the North.

Inescapably, our Southern people have been forced to the conclusion that their only way out is to bring about a balance between agriculture and industry, to begin to turn into finished goods a portion of our abundant raw materials, to create payrolls to care for a portion of our workers made idle through loss of markets for the products of our farms. In that way, and only in that way, can our section achieve a standard of living comparable to the rest of the nation.

There came about, as a result of this realization, the encouragement of industry in the South. We have sought to start in each community a small industry, large enough to employ a reasonable percentage of our idle workers, willing to pay reasonable wages, and to carry its (1942) share of the public burden. In this way we hope to enable our people to earn a decent living, to increase our tax values to a point where government can function as it should. Under no circumstances could the claim be made that we do not want high wages for our workers. As to any possible controversy between capital and labor in this matter of wages and hours, our sole interest is in building up the per capita income of our people, and we want to pay to our workers as high a wage as is possible to pay without destroying the source of employment itself.

Our people, and the Southern Governors' Conference as well, supported the principle involved in the Fair Labor Standards Act, this in spite of the fact that the Southern states are predominately agricultural and will thereby pay increased prices for what they buy. In the minds of many of us some regulations of wages and hours was necessary to prevent exploitation of our people. The Act contained what we thought were safeguards against our further economic exploitation by the Northern industrialists. But it now clearly appears to us that this Act is being interpreted and ad-

ministered in line with the policy of oppression followed since the Tariff Act of 1928, and unless our people realize what is happening and combat it we are likely to remain in economic serfdom (1943) for another hundred years.

The Act provides for the appointment of industry committees in each industry, to be selected "with due regard to geographical regions in which the industry is carried on." The cotton industry might properly be called a Southern industry, since about 80% of the spindles are located in the South, and we grow all of the cotton. In the personnel of the Committee, however, we find representatives of silk and of rayon, fabrics which are highly competitive to cotton, and further we find that the Committee as constituted is controlled by a majority membership from non-cotton growing states. Seven Committee members were selected to represent the public—four of them from the North; seven employee members were selected—five of them from the North; seven employer members were selected—three from the North. So that not only do we find the cotton industry controlled by a Committee having on it representatives of its competitors, but we find that twelve members of that Committee out of twenty-one are from a section which always has sought, and succeeded, in keeping us in economic subjugation.

The Act provides that the Committee shall recommend the highest minimum wage which, "having due regard to economic and competitive conditions," will not substantially (1944) curtail employment. Yet the Committee recommended the same minimum in the South as in the New England states, brushing aside the known unfair freight and other differentials existing against the South, and brushing aside the factors which are recognized by the Federal Government when it pays our WPA workers less than two-thirds the monthly wage it pays in the New England states. We are

informed that the vote of the Industry Committee in failing to recognize any of the differentials existing against us was nearly entirely on sectional lines with the Northern members brushing aside the factors involved, and the Southern members insisting on the danger to Southern industry in not admitting the necessity for Southern differentials so long as differentials exist against us.

By the original selection of a committee composed largely of members from other sections and representing its competitors, and the delivery of the cotton industry into the hands of this Committee, it is evident that the foundation was laid for the use by this committee of the power of the law in preventing the expansion of Southern industry.

By failing to recognize the validity of the need for a Southern differential so long as the differentials exist against us, it appears that Industry Committee (1945) No. 1 is functioning in a manner adverse to the interests of our Southern people and to the purpose and intent of the Act as a piece of social legislation.

There is no question but that the absence of a Southern differential will cause a distressing degree of unemployment in the South. We call attention to the fact that whereas in the North upon the closing of an industry there is a reasonable probability of the employment of the discharged wage-earner in other industries, we in the South have no such other industries. Our people, upon the loss of their jobs have to return to the 5 cent an hour wage of agriculture, or to the relief rolls.

In view of the situation in which the Southern cotton industry finds itself as the result of the original appointment of Industry Committee No. 1, and the recommendations of a majority of that Committee, we are in deep anxiety about

the effect of the Wages and Hours Law upon Southern industry as a whole. In the cotton industry, a nearly purely southern industry, it was to be expected that the voice which predominated would be that of the South. We fear not only the effect of the recommendation of the majority in this instance, but future recommendations of this Comittee as well aimed at further destruction of our interests. We fear the organization of industry committees in other industries (1946) not now represented in the South, dedicated to preventing the industrial expansion of our section. And if this comes about, our inevitable industrial expansion may be postponed for many years to come, and our people forced to continue to live as a part of economic problem number one.

We call attention to the unanswerable fact that our national welfare must suffer so long as great regions of the nation are kept in poverty. The low purchasing power of our people is all that keeps our section from being the greatest new market on earth for the factories of the North. Such industries as we of the South build up will not and cannot supply our people with their actual needs to any appreciable extent, but by raising our income and thereby our purchasing power will bring benefits to every part of the nation. . . . (1947)

TESTIMONY OF GOVERNOR FRANK M. DIXON
(T. 1946)

The witness stated that he was Governor of the State of Alabama and that he was speaking for himself and for Governor Bailey, of Arkansas. He testified as follows:

Administrator ANDREWS. Thank you, Governor.

May I ask you a question?

Governor DIXON. Indeed. I am glad to answer any questions asked by the Administrator or the Attorney for the Committee.

Administrator ANDREWS. What concerns me, Governor, particularly, is your feeling that apparently the Committee was either established because of regional bias or because they acted on a regional basis. Do you feel, sir, that that is entirely so?

Governor DIXON. I do feel that that is the case.

Administrator ANDREWS. Do you know, sir, that the first person I called when I was appointed in connection with appointing Industry Committee No. 1 was Governor Max Gardner?

Governor DIXON. No; I did not know that.

Administrator ANDREWS. Did you know further that I consulted with Senator Hill in regard to the appointment of the Committee?

Governor DIXON. No; I know nothing of the incidental affairs with reference to the workings. All I know is the final result.

Administrator ANDREWS. Do you know, sir, that in conferring with the officials of the Textile Institute, that after a number of conferences, it was decided that silk and rayon should also be included in the definition of the textile industry?

Governor DIXON. That is a tragic thing for the cotton industry.

Administrator ANDREWS. Do you know, sir, that every member of the Committee, the employer members, were recommended to me by the Cotton Textile Institute?

Governor DIXON. The employer members?

Administrator ANDREWS. Yes.

Governor DIXON. Of course, I can't know those things.

Administrator ANDREWS. I am just trying to put this in the record, because I am afraid of the misunderstanding of how the Committee was appointed.

Governor DIXON. The thing that concerns me is the result.

Administrator ANDREWS. I understand that, sir, but I don't want anybody to feel that a proper consideration was not given in making the appointments. And, do you know, sir, that not only was the Cotton Textile Institute informed about and consulted and recommended the members of the Committee so far as the employers were concerned, but that they were kept currently advised of the Administrator's intention in regard to labor appointments, or so far as the public appointments were concerned.

Governor DIXON. Of course, I could not know that.

Administrator ANDREWS. Do you say of the five employer representatives, that there was only one cotton manufacturer representative from the South?

Governor DIXON. Is that employer, public, or what?

Administrator ANDREWS. I think——

Governor DIXON. I said this: "Seven Committee members were selected to represent the public—four of them from the North."

Administrator ANDREWS. Do you know there was only one cotton manufacturer on the Committee from the North?

Governor DIXON. That is the Industry Committee?

Administrator ANDREWS. Yes.

Governor DIXON. I stated: "Seven employer members were selected—three from the North."

Administrator ANDREWS. But you know, sir, that only one of them was a cotton manufacturer?

Governor DIXON. But you have both silk and rayon put in here, which is highly competitive to cotton; they were from the North, and they voted together.

Administrator ANDREWS. Do you know that it was decided that the Committee should consist of more than 18 members, and was increased at the request of the Cotton Textile Institute, and that for that reason we increased it from 18 to 21?

Governor DIXON. Of course, I am not familiar with that.

Administrator ANDREWS. Thank you.

Mr. PITTS. May I ask you a question?

Governor DIXON. I will not answer any questions for anyone except questions by the Administrator or questions by the Attorney for the Committee.

Administrator ANDREWS. He is the Attorney for the Committee.

Mr. PITTS. I am the attorney for the Committee.

You alluded to the absence of classification in the recommendation of the Committee No. 1, did you not?

Governor DIXON. I couldn't understand you.

Mr. PITTS. You alluded to the absence of a differential being recommended by the Industry Committee No. 1 for the different sections of the country?

Governor DIXON. I alluded to it in a general way.

Mr. PITTS. Are you aware that the record before the Administrator will show that when the matter of classification came before the Committee that every member of the cotton-growing states, including those employer members that you referred to, with a single exception of one public representative from Texas, voted against all classification?

Governor DIXON. Do you mean as to differentials?

Mr. PITTS. All differentials—are you aware of that fact?

Governor DIXON. I am certainly misinformed, if that is the fact. Mr. P. O. Davis is a member of that Committee from my State.

Mr. PITTS. Have you inquired of Mr. Davis himself whether or not he proposed any differentials or whether he voted against all differentials?

Mr. LAWSON. Mr. Administrator, we object to this line of questioning on this theory: As we understand this law, it wasn't necessary for any of the members of that Committee at that time to ask for any differentials, and that it was not a matter incumbent upon the cotton manufacturers of the South to do that at that time, but they want that matter brought before the Committee to determine it, and whether the cotton manufacturers asked for that is another matter entirely.

Mr. PITTS. I would like to point out that the selection of the Committee has been criticized, its nonrepresentative character has been criticized; the fact it had not sufficient members to make itself felt has been criticized, whereas, the facts show that those members that were appointed from these various states voted against any classification, with the single exception of one Texas representative, who was not an employer.

Administrator ANDREWS. I don't think, possibly, legally, that it is a matter for this particular hearing, but there has been so much said about the Committee that I felt that it would be proper for me to make some comment about the composition of the Committee.

Mr. PITTS. I quite agree with you, I don't believe that it is relevant, but in view of the absence of a ruling to exclude this type of testimony, I believe it is necessary to produce the facts that relate to it.

Governor DIXON. The question is as to——

Administrator ANDREWS. If you don't care to answer it, Governor, you may not do so.

Mr. PITTS. Governor Dixon, one more question.

Governor DIXON. What is that?

Mr. PITTS. Have you read the Majority Report of the Committee?

Governor DIXON. I have, from top to bottom.

Mr. PITTS. Have you any reason to doubt the source of the figures and the calculations that are contained in that report?

Governor DIXON. Yes, sir; I have. I don't think that the facts were correctly reported, and I don't think that the conclusions are correctly reached.

Mr. PITTS. Have you any estimate of your own as to the extent of increase in labor costs in Alabama which will result from the establishment of a 32½-cent minimum?

Governor DIXON. Increase in labor costs, or increase in unemployment?

Mr. PITTS. In labor costs to the textile industry?

Governor DIXON. I am no expert on that, of course. I understand that some of those who have talked to me estimate as high as fifteen percent—fifteen or twenty percent.

Mr. PITTS. Do you know the hourly earnings in the textile industry in your own state?

Governor DIXON. No; I am no expert on that.

Mr. PITTS. I would like to point out that they are 34.8 cents per hour; that that is not substantially less than for the South as a whole and the assumption may be that the establishment of 32½ cents would not appreciably increase the wage scale in Alabama.

Mr. LAWSON. Mr. Administrator, I submit that counsel is now testifying, rather than cross-examining, and I object to it.

Administrator ANDREWS. This has been a very informal hearing. Do you wish to say anything else, Governor?

Governor DIXON. No, sir. Thank you.

Administrator ANDREWS. Thank you.

(Witness excused.)

Mr. ABT. We should like to note for the benefit of the record that on behalf of the Textile Workers' Union of America, that I had several questions that I intended to ask these two Governors, but in the light of Governor Dixon's statement in refusing to answer questions for anyone except for the Administrator and the attorney for Industry Committee No. 1, I do not insist on that right, but I will say that I had some questions, and that the testimony of the two Governors should be considered in the light of their refusal to answer.

TESTIMONY OF DR. GUS W. DYER—(1955)

The witness first stated that he was born in Virginia, had worked as a factory hand, saw-mill hand, and tobacco factory hand; later received a B. A. Degree from Randolph-Macon College, M. A. Degree from Vanderbilt University

and Ph. D. from University of Chicago; was connected with the faculty of Vanderbilt University; and testified as follows:

The 20 western states, west of the Mississippi, including the three great industrial states of California, Missouri and Washington, had 35,830 factories of all types in 1921, and 41,676 factories in 1929. This was a gain of 5,846 factories between 1921 and 1929. The Southern states had 24,768 factories in 1921, and 33,912 factories in 1929. This was a gain of 9,144 factories in the Southern States in eight years. The Southern states gained some 3,300 factories, in this nine years, more than the 20 states west of the Mississippi gained. These 20 western states gained 275,676 factory employees between 1921 and 1929, and the Southern states gained 393,373 factory employees between 1921 and 1929.

The East—this is very important to keep in mind—the East, the East, and that is the six New England states, New York, Pennsylvania, New Jersey—the East, the six (1959) New England states and New York, Pennsylvania and New Jersey gained 24 per cent in factory employment between 1921 and 1929, and the Southern states gained 42 per cent in factory employment in this period.

The East lost 3,236 factories between 1921 and 1929.

The West gained 5,000 and over factories in that period and the South gained 9,144 factories in that period. I think you will find there the source of this movement.

The West, the agricultural sections, the West and the South, gained 14,000 factories in that period and the great industrial East lost over 3,000 factories in the same period.

Then the East got terribly interested in the general welfare of the South, awfully anxious to lift the living conditions of the poor Southerners down here that had taken the business away from them. . . . (1961)

But now, I want to ask you to pay especial attention to this. When this new industrial revolution, also a power revolution, made up of a combination of electricity and gasoline, started just a generation ago, it started in a different direction. The steam revolution was centralizing, the gasoline and electric revolution is decentralizing. The steam revolution drove business and everything else to the centers; the gasoline-electric revolution is driving them out of the centers, driving them back to the country, driving them to the small towns. The thing has reversed.

Now, when the great, rich East was building up at our expense under the steam revolution, we did not ask the Federal Government to give us some special protection against the strong East. The South has never asked the Federal Government for any sort of special protection. We took our medicine. But now when the fight is turned, and I say it is turned, the No. 1 problem is not the (1962) South, but it is the East. . . .

And yet they come around and tell us we need to lift the living conditions in the South.

Now, what about these times, gentlemen? I think we have overlooked, as I have read this testimony, one thing we have done, it seems to me, is to overlook the importance of these small towns, and I say this, that the small towns are the great competitors for industry, and they are going to beat the big cities; they are doing it. New York appointed a

commission to see why it was that 200 industries left New York. More will leave. If I had time I think I would explain why.

There were 13,000 and over towns in this country that had a population of 2,500 and under, according to the census of 1930, over 13,000 towns with a population of 2,500 and under. These were incorporated towns. They had a combined population of a million more than all of the six New England states combined.

These 13,000 small towns that nobody is paying any (1963) attention to much had a combined population greater than that of Chicago, Detroit, St. Louis, Cincinnati, Boston, Kansas City, Minneapolis, Louisville, Des Moines, Baltimore, Omaha and San Francisco.

These are American people; very little attention has been given to the effect of this law on the millions, nine million people, who are living in these small towns of 2,500 people and less. And these little towns, every one of them, is a competitor for an industry, and they are getting them. And this law, the prime purpose of this law, as I understand it, was to try to block this new revolution and build up or hold and protect a community from which the economic advantage has gone. . . .(1972)

Yet you go to New England where they have skilled labor, and where they have been working a hundred years in this industry, and at least, they should be skilled and there you find a certain wage scale for those skilled workers, and then you come down here to the South with these little country towns where they bring in the hill-billies that never saw a factory before and put them to work, they are not skilled laborers, but they do have sense of character, all right,

and you say—in (1973) New England, they pay $20 per week, and down in the South here, they are paying these poor fellows only $10 per week. You shout "Robbing them, robbing them." . . .

. . . Now, they say if this minimum wage goes into effect that it will close, I think that these figures given by your own Committee are correct, and I accept his figures on this, but I don't accept their figures on everything—but they say that 2½ per cent of the factories will have their wage bill increased 29 per cent. That they have an annual wage at the present time of $50,000 a year, and that it will go up over $20,000. Why, of course, such a thing as that will put all of them out of business. There is another great group of Southern Mills that it will increase their cost 18 per cent. Now, that is your figure on it. Take a $50,000 payroll a year and add 18 per cent onto it, and run it up and see what you get. You can readily see by the use of common sense that it would close the factory. I think that it would close three or four or five hundred small factories in the (1974) South.

Now, gentlemen, a good many people don't know how many small factories we have. Now, listen to this. In 1930, there were 210,000 factories of all types in this country. 7,000 of those factories didn't work any employees at all; they did their own work. 95,000 worked from one to five employees and 50,000 worked from 6 to 20 employees. This is a country of the litle factory, and the little factory is coming back. This is the first chance that it has had, and is its first come-back. This new revolution is giving the break to the little factory, and the big factory is scared to death,—of what? Of the little factory, of course. What have they done? They have gone to Washington and they have had a law passed to protect them against the hill-billy factory. . . . (1977)

If this law can put out of commission one hundred thousand, or fifty thousand of these untrained, inefficient, but people of good character, then why should that be done? It is purely because the strong might get a higher wage. How can you think of any more damnable a principle than that? To make the strong men live on the weak, and I ask you to answer that question for me, if it is not true. When you put that question to some of these advocates of this minimum, they will say "Oh, increased buying power, increased buying power, that will take care of everything." That is just an imaginary power, (1978) and that is not there at all.

I don't know of anything in the history of the English civilization where that a man, by law, has been denied his inalienable right to work. The right to work is one of the most fundamental of human rights. It was too fundamental to be put specifically in the Constitution. The makers of the Constitution never dreamed that the time would come when a man, an American Citizen, just think of it, would be denied the right to work. This law means simply that it closes the doors to the inefficient worker and says, "You can't work," and when this inefficient worker comes up and says, "I want to work, a man wants to pay me 25 cents an hour and with that I can get the necessities of life and live decently,"—what do they say to him? They will say, "No, you can't, you can't do that, no, go back and get in line with the dependents, on relief." And no more serious damage can be done a man, an American Citizen, at least, than to take away his independence and force him to join the indigent class. What are you going to do with them?

All that these people ask is to be protected in their Constitutionally given rights that every American Citizen has under the Constitution, regardless, of course, of what courts may say, the right to go out in the open market and

sell his commodities and his services at the (1979) market prices and buy the commodities and services from others at the market prices, and any law that prohibits that is prohibiting the exercise of the most fundamental rights that the human being has. I think that Jefferson meant that, and it is certainly included, that certain rights are not subject to government. That government has no right in morals to interfere with them,—that is what Jefferson meant by "inalienable,"—that nobody has a right to take that away, among them, he said, "Life, liberty and the pursuit of happiness," and the right to work is, as I see it, certainly included, the inalienable right of liberty and the pursuit of happiness. And this law takes it away from 100,000 people and refuses to let them go into the open market and trade and sell their commodities and services.

Now, the conclusion come to by your committee—I didn't know that my friend Nixon had qualified as an economist. When I knew him, he taught history when he was with us. I suppose that most anybody can qualify as an economist if they choose to follow that calling. I mean no reflection of Nixon, of course, he is a good fellow. . . . (1984)

. . . It will undoubtedly close a large number of small factories located in these small southern towns, and perhaps some of the other towns, possibly small towns located in other places, as well, and it will increase the payroll of some of these mills 29 per cent, and others will have their payroll costs increased 25 per cent and others 15 per cent, and others 10 per cent. If you have ever had any experience in business, you will know that a 10 per cent increase in the payroll will force many to close their doors or to reorganize under a new system altogether. There is no use of arguing about that. There simply can't be any alleged means whereby these manufacturers can get away from actual cost figures. . . . (1986)

This only means that the citizens of the small towns are denied their Constitutional rights to go into the open market and buy services and commodities at the market prices and manufactured goods, and it means that those same people are not permitted the opportunity to sell their services at the market prices, nor the manufacturers to sell manufactured goods at market prices. They are denied that right. It means that the thousands of working people are denied the inalienable right to go into the open market and sell their services at the market price in order to make a decent living; it simply means that the Government has closed the doors of employment to thousands of American citizens, because their earning power is small; it means that the Government has given it,—has transferred it to the strong, whose earning power is large. . . . (1987)

. . . Of course, that is in the interest of skilled labor. They won't have to go, and the factory working skilled labor will enjoy the monopoly. It will increase the demand for skilled labor at the expense of the unskilled, at the expense of the untrained and the slow. . . . (1988)

Now, it seems to me that the prime purpose of this measure is to give a monopoly to skilled workers who happen to be politically organized and strong, to give the monopoly to those skilled workers, as against the unskilled who are not organized. I have been in politics myself, (1989) and I know exactly what that means. Politicians are afraid of anything that is organized, and they don't give a whit for anything that is not organized.

It will supply a powerful stimulus—and this is the last —to the introduction of new labor-saving machinery and labor saving devices.

Now, gentlemen, there is hardly anything that a machine can't do in the lower class. Man is in competition, continuously, with machines, man can't beat the machine, but he has to fight the machine on the machine's level. . . . (1990)

Now, the last point, I will be brief with this—this law will be hard on the negroes. The negroes belong in the lower class. The negro has never been worked as a regular employee in the factory, as a general rule, but a large number of them have been used, and when they push the labor scale up, the white man can beat the negro. Another thing, when the negro gets in the North, he finds it very hard to compete with the white man, and as this minimum goes up, I think that you will find a great many of the negroes, in many cases, that the negroes although doing the best that they can, they can't earn very much, the negroes that can't learn, that are incapacitated to move up— what do you do with them? You just put them out. What will you do? You will get a white man in there that can do it.

Now, if you believe in this principle of making the strong stronger and the weak weaker, and that the function of the government is to look after the strong and let the (1991) weak go to hell, then I can see some reason for it, but otherwise, I can't. . . .

EXCERPT FROM TESTIMONY OF DR. GUS W. DYER.

But when you advance wages above the market value, as this Bill proposes to do, and force wages from 20 cents an hour, from 25 cents an hour, to 32½ cents an hour, that means that the man whose wages have a market value of 20 cents and 25 cents is to receive 32½ cents, and that that increased wage that he gets will create a great volume of new buying power that will bring about general prosperity, that is a myth.

Now, gentlemen, it doesn't increase the buying power one penny, not a penny, not a penny. Listen, where does that increased buying power come from? Somebody has got to pay it. Industry cannot pay it. It is assessed on the consumer, it is bound to be, because, of the cotton mills, 15,000 that made income tax reports in 1934, only a little over 5,000 had a penny of net profit. In having no net income, that means that the bondholders didn't get anything, not only the stockholders, but nobody got anything. Only one out of three had a penny's income. Well, you can't get it from there. Even those that favor this law acknowledge that the cotton business is sick. It has been sick ever since the women quit wearing clothes. It has never got over that yet, but it is sick.

Well, where does it go? Now, follow this. Practically all will admit,—I don't say all, but I don't see how they keep from admitting that an advance like this will advance the price. I think I can see that, that is assessed on the consumers. Now, let's see whether this increase adds a penny to buying power. We will assume it is assessed on the consumer,—it is assessed on somebody anyhow, it don't make any difference. Somebody has got to pay it.

Don't you know that every dollar you take from the fellow here to increase wages has just as much purchasing power in the man that you take it away from as it has in the man you give it to? It is simply a transfer of purchasing power, it doesn't add a penny to it.

To take $10,000,000 from consumers through higher prices and give it to wage earners doesn't increase the buying power. It takes away from the consumers $10,000,000 in buying power and gives it to the wage earners. In other words, it takes it away from people to whom it belongs and gives it to the folks to whom it doesn't belong.

TESTIMONY OF DR. GUS W. DYER (T. 2001)

The witness, a resident of Ridge Top, Tennessee, stated that his work was with the Vanderbilt University at Nashville, Tennessee. He testified on cross-examination as follows:

Cross-examination by Mr. NATHAN.

Q. Just one question, Mr. Dyer. You quoted in the beginning of your statement the fact that from 1921 to 1929 the South had gained three thousand more factories than the North. I would just like to know the source.

A. No, no; it gained three thousand more than the West. It gained about twelve thousand more than the North, because the North lost three thousand.

Q. What is the source of that information?

A. Government reports, census.

Q. You don't know the bulletins or anything.

A. Well, now, I'll tell you about that. I had a hard time ever getting the students to get the thing out. You can't get this information in one place, here you have to get part of it, and you have to get part of it there; you may have to consult three or four different volumes of the census before you can get it, but if you run it down you will find it.

In the first place you can get under manufacturing for the State, you will find it states the factories in 1921 and 1929. That is in the manufacturing volume of the census, but you cannot get it in the statistical book that they get out. I mean that is too condensed, you have to go back to the original information. You can find it all there.

Q. You say this law is an attempt to crush out the inefficient worker?

A. I think so, I mean to get him out of the industry. They don't care what becomes of him after he gets out, but to get him out of the factory.

Q. You pointed out, I believe, that these factory workers would stay and work at a smaller salary, inefficient worker, so long as the efficient worker will also work for a smaller salary?

A. I don't know about inefficient. I think every man gets the market value of his wage, whether small or large. I have never seen a place that that was not true.

Q. If you were teaching in a college and making $500 a month as a very efficient professor and they wanted to put on two inefficient professors, but they didn't have any more money to put in to pay for professors, would you agree to take $300 a month and let them pay the other two $100 each?

A. I would not, and that has no connection, that has absolutely no connection with your other point. A man makes his market value of his services, and I don't care whether you have a hundred or a thousand or ten thousand, it has no effect on him.

Mr. NATHAN. That is all.

The WITNESS. As I see it, of course, that is true. However, let me answer that further, I want to qualify that, that you have, say, one hundred thousand inefficient, I mean untrained workers, manufacturing. They

come in as a factor, of course, to keep the price down to the consumer and the other fellow can't get as much. That is the reason you want to put them out of business, so you can get more. They are the people that are protecting the consumer, and that is why they want to get rid of them, because they are keeping the cotton products prices down to the consumer, New England and others, too, as far as that is concerned; get them out of the way so they can raise prices.

When the Governor spoke from Maine the other day, that is what he said, that he had a hard time, he said he wanted to block these fellows, so we could get more for our goods, and pay more. That is the purpose. The consumer has as much at stake as the other.

By Mr. SHISHKIN:

Q. Dr. Dyer, could you state to us Alfred Marshall's definition of marginal productivity?

A. I studied Marshall 30 years ago. Marshall's productivity means that the productive difference—they speak of being on the margin. It means that the price for the thing is practically the same as the cost, and that there is nothing to be added; all above that is added.

Q. Do you know whether in any of his treatises Alfred Marshall has made any statement with reference to the desirability of maintaining minimum standards of wages through collective bargaining or by wage regulation?

A. I can't recall. England tried that. Even if he did, it would have no special effect on me. Economists, a lot of them, take all sorts of views of that sort. I don't take any Economist as authority, even if Mar all said it. If you take any Economist as an authority you are going to get in trouble. The truth is the only authority.

Q. Dr. Dyer, figures have been introduced in this hearing showing that since last December the mill mar-

gins have been averaging somewhere around 11 percent or slightly below that. I was wondering whether you could state whether these low mill margins compare favorably or unfavorably with the mill margins in effect in the industry between 1890 and 1904?

A. No; I have not looked that up, I have not looked that up.

Q. Well, the figures I have here for that period on mill margins in effect between 1890 and 1904 show that they averaged for that 14-year period approximately 11 percent. What do you predict on the ability of the industry to maintain these mill margins and maintain operations for a 14-year period with reference to the present situation?

A. You mean with reference to the application of this law?

Q. To the present mill margin.

A. I am not talking about the—that is a technical point about the mill margins. The point you are asking is if they could go on and pay this minimum wage. Let's get down to common language and get away from the technical thing, so we can understand it. Is that what you mean, what effect would this minimum wage law of 32½ cents have for the next 14 years; is that what you mean?

Q. No; I was asking, Dr. ——

A. I don't care to go into technical discussions. Just state them out in principles and I will answer them. I haven't made any study of that technical thing, and I wouldn't care to go into it, but if you put your principle down, I will answer it.

Q. Thank you. Dr. Dyer, do you know whether since 1925 the technological improvements in the textile industry as reflected by the productivity figures show that the textile industry has made technological progress at

a greater rate than other manufacturing industry, or at a slower rate?

A. That is very hard to tell. I think that perhaps this is true, I notice some of the testimony on that, and this is just a guess, and everybody else is guessing, and since everybody else is guessing, I will guess too, that is all any of us are doing. With ten thousand factories, what would you have to do? You would have to spend a year to go around and examine them. Nobody has been, nobody knows what in them. Somebody picks up a little mill and says thus and so. As compared with ten thousand, that doesn't mean anything.

I think as a rule you will find the factories in the South about as up to date as in the North. For instance, in Tennessee the superintendent of a mill told me some years ago, one of the Bemis Mills, somebody in the North got him to come up there and look through his factory and advise him what the trouble was. He said, "I had to be frank with them, and I said, you are just trying to work old machinery, it is not up to date, pitch it out." This was from a Southerner up North.

I don't know, I wouldn't make any statement. I am in the South and I travel a great deal, but how can I answer as to the six thousand mills here. I have never been in any of them. I don't know what sort of machinery they have got. If I saw it, I wouldn't know whether it is up to date or not, and I don't know anybody in there who could tell me whether it is up to date or not, that knew.

I think all of this is just guesswork, and each fellow guesses in the way that is favorable to his side. I don't claim any more than you do.

Q. There has been a great deal of testimony introduced upon the technological condition of the textile industry as a whole. Insofar as this testimony has

bearing on the question before the Administrator, would you say that the analysis or knowledge of the relative position technologically of the cotton textile industry to the other manufacturing industry would be of importance?

A. Yes, in a way. I would say this, a good deal depends on this. Take the automobile, you couldn't compare textiles with the automobiles because there is no business under the sun that ever was in a class with them in improving conditions. The textile industry is an old business, and you cannot expect the same pace of technological improvement in a business that has been as well established as a new one. It depends on what you are comparing with. If you compare with the automobile, you have no right to compare with that, or other new industries.

But I don't know, I should say this question of bringing in technological improvement is a question of dollars and cents. A man is asked if he has got the money and able to pay, to put in a machine. And as a rule if he has, a business man puts it in. If don't pay, he don't put it in. If it pays he does.

In some places I think all over the country, the very fact the South has gone into the North and taken the leadership of the industry away from them shows they are not awfully inefficient. You can't get away from that. All of this stuff about inefficiency in the South don't go at all, in view of the fact that we have taken the business away from you. You have got to take one side or the other. You have either got to say we are awfully—well, you just can't take both sides.

Q. You made the statement that it is in the interest of the skilled workers as a monopoly to maintain a higher minimum because they are in competition with the unskilled workers. Is that substantially it?

A. Of course, it is. Everybody you put out adds that much to you.

Q. Are the mills employing the majority of the skilled workers in direct competition with the nature of their production with the mills that employ a larger proportion of the unskilled workers?

A. Yes; there is no special advantage either way. Skilled labor is just as cheap as unskilled labor. It is just a question that they have more productivity. There is not any advantage, a man working the low price labor as a rule, businessmen tell me as a rule it is bad business to work cheap labor. Most successful men don't work it, I should say.

Q. These two types of mills employing a majority of either skilled or unskilled labor, respectively, do they manufacture the same products?

A. I suppose on a general average, they do, not the same, because some specialize on one thing, and some on another. Riverside, at my home, I think they specialize on gingham, but in general, I should say they do.

Q. If they do, what, then, accounts for the difference in the proportionate number of the skilled and the unskilled workers employed?

A. One concern prefers to work skilled men, just like Henry Ford prefers to work the highest type of labor, and the others do, too. There is no advantage in it. You get what you pay for it. If you pay $5.00 a day you get a $5.00-a-day man. If you pay $2.00 a day, you get a $2.00-a-day man, but if you pay $1.00, you get about a 75-cent man, that's all. That is the reason the best businessmen don't want this common labor much, as a rule.

Q. On the part of Henry Ford, is that a matter of personal preference, the employment of a larger number of skilled men?

A. If you ever went through the factory you would see. I would have to be hard up before I would ever

try to work in that factory. They line them up there, and a man can't even get a drink of water unless he calls somebody to come and substitute for him. I couldn't hit it that way. And he has got to hit it, and if he holds it up, there will be a car going out with only three wheels on it. I can't do it. It takes a man of high stamina to stand that. Henry Ford has enough sense to know it. He don't put the common class there, they would break down; I couldn't stand it two days.

Q. You have cited some reference to the number of the new factories by regions between 1921 and 1929. Could you state the complete source of that?

A. That is the Government report; that is just from the census.

Q. Are those census figures?

A. Yes. They had to be worked up, of course. Each set has got to be worked out, and be added, and so on, but it is all there.

Q. Do they cover the years 1921 to 1929?

A. That is it.

Q. Is that the census?

A. 1930.

Q. Is that the census of manufactures and occupations or population?

A. Yes, manufactures. You know there are several volumes on manufacturing. This is the volume taking them State by State, it takes up each State and gives the figure, the main figures on the establishments, number of employees and the number of factories, and the wages, and so on for each State. I had to work them out. Of course, they are not there, just open.

Mr. SHISHKIN. Thank you.

Administrator ANDREWS. Dr. Dyer, you mentioned something about all of this talk about the inefficiency of labor in the South. I have tried to be rather attentive. Do you know anywhere in the testimony where

there is anything given in relation to the labor to the effect labor in the South is inefficient?

The WITNESS. Well, inefficiency perhaps was not the word so much as "untrained." These hill folks that come in there, I thought that was assumed, that they were untrained, and it takes a right smart while. There is a great deal of difference in the background of people. New England has a background of training, away back. They haven't got any at all, they never saw a factory, never saw a machine, many of them.

I wouldn't say inefficiency; I mean inefficiency as far as training is concerned. No; they are not inefficient; they are the finest labor in the world. I don't believe a working man on the face of the earth could beat them, but it takes a good while to train them, and if this law goes in, you are never going to have an opportunity to train them.

In these little towns, starting little factories, the first thing you know, they will have men up in New England managing a mill before long, if you give them a chance. But if you cut them off with a high minimum wage, they can never get started. That is the bad thing about it.

New York is run largely by Southerners. I have got two students running one of the biggest banks up there, the Chemical. By the way, one of our students just graduated in 1923 from Murphreesboro, and has been accepted as a partner of J. Pierpont Morgan, the youngest man that ever was. Give these Southerners a chance, and they will run things.

Administrator ANDREWS. That is the reason I had to get out of New York.

The WITNESS. That is the reason I don't want to go, too many big fellows up there; I like to stay down among the hill billies, where they are not so big I can shine better.

Mr. ABT. Nothing further.

Mr. TAYLOR. That is all.

(Witness excused.)

TESTIMONY OF ROBERT R. WEST (T. 2022)

The witness, a resident of Danville, Virginia, stated that he was president of the Riverside and Dan River Cotton Mills. He testified on cross-examination as follows:

Cross-examination by Mr. ABT:

Q. Mr. West, as I understood your statement, you regarded the crux of the matter before us here, what you cite as the failure of the Committee to consider the bimodal characteristic of the Southern section of the industry, is that correct?

A. Yes; give it sufficient consideration.

Mr. ABT. Now, Mr. Administrator, I have throughout this proceeding objected to any evidence as to what the Committee did or did not consider, but inasmuch as the Administrator has reserved his ruling on that point, without waiving my objection, I would like to ask Mr. West one question in that connection.

Administrator ANDREWS. Is there any objection?

Mr. TAYLOR. No.

By Mr. ABT:

Q. Mr. West, did not the Committee consider and reject a proposal to incorporate occupational classifications and occupational differentials in its recommendation?

A. Yes.

Q. Are you a member of the Board of Directors of the Cotton Textile Institute?

A. I am, sir.

Q. Are you a member of its Executive Committee?

A. I believe so.

Q. Are you also an officer in the American Association of Cotton Manufacturers?

A. Yes.

Q. What office do you hold?

A. Vice President.

Q. Vice President?

A. Yes.

Q. You were present, were you not, when Dr. Murchison presented his evidence on behalf of the Cotton Textile Institute to the Industry Committee?

A. Yes.

Q. And you heard Dr. Murchison's statement, did you not, that he was presenting his testimony not only on behalf of the Institute, but also on behalf of a number of other trade associations, among them the American Association of Cotton Manufacturers?

A. I don't recall the exact wording, but the record will show.

Q. Did you have any occasion, Mr. West, prior to Dr. Murchison's apearance before the Committee, to discuss with him or any other representatives of the Cotton Textile Institute the general nature of the testimony which would be presented and the position which the Institute would take with reference to a proposed minimum?

A. Yes.

Q. Can you tell me what that occasion was?

A. No; I cannot tell you definitely.

Q. Well, let me put it this way, Mr. West. Did you discuss with Dr. Murchison the general nature of that presentation and the position which the Institute would take in making such presentation?

A. Yes; I expect the answer to the question is "Yes."

Q. And in the course of any discussion which you had with Dr. Murchison or other officers or representa-

tives of the Institute prior to that presentation, was anything said as to whether or not the Institute should take a position on the question of a North-South differential?

A. Not to my knowledge.

Q. So far as you know, nothing was said prior to Dr. Murchison's presentation?

A. Not that I had anything to do with.

Q. Was anything said in the discussions which you had prior to that presentation as to the position which the Cotton Textile Institute would take with reference to the problem of occupational classifications within the industry?

A. Not that I participated in.

Q. Now, Mr. West, I am going to read you a portion of Dr. Murchison's testimony, and ask you whether you recall hearing that portion of his statement. Dr. Murchison said—and as I said previously, earlier in his testimony, Dr. Murchison stated that he was speaking not only on behalf of the Cotton Textile Industry, but on behalf of a number of other trade associations, including the following:

The American Cotton Manufacturers Association.

The National Association of Cotton Manufacturers.

The National Association of Finishers of Textile Fabrics.

The National Rayon Weavers Association.

The National Federation of Textiles.

The Mercerizing Association of America.

The Southern Combed Yarn Spinners Association.

The American Lace Association.

The Froster Research Institute and the Cotton Trade Institute.

Now, I am about to come to the quotation from Dr. Murchison:

"As an industry"—Dr. Murchison said, and by the term "industry" he obviously referred to the industry

as a whole, and as represented by the associations which I have enumerated:

> As an industry we are opposed to the establishment of such classifications

and if you will refer to the prior paragraph in his statement, you will observe that by the term "such classifications," he was referring to classifications permitted under Section 8–c of the Act. Now, I continue with Dr. Murchison:

> We believe that the Act will be successful to the degree that its application is made uniform and simple. The determination of such classification and minimum rates for each classification according to the formula provided in Section 8 is a task of overwhelming dimensions for industries as large, as widely dispersed, and as heterogeneous as the textile industries.
>
> We believe the administrative and enforcement problems arising from such classifications can be avoided and the purposes of the Act achieved if the minimum rate is considered with due regard to present standards, and is made uniform for all the mills in the industry.

Now, I know that Dr. Murchison made that statement many months ago, Mr. West, and that you have many other things to occupy your mind with besides these proceedings, so that I cannot expect that you should remember verbatim that statement of Dr. Murchison. But I should like to ask you whether you do remember his making in substance that statement?

A. Well, it is part of the—I presume it is a correct transcript of the record, the statement that he made before the Committee, and I have read the statement.

Q. I am not asking you that. I am asking you whether you remember at the time you heard Dr. Murchison testify hearing him make the statement to this general effect, that is to say, that it was the position of the industry that Industry Committee No. 1 should

make no classifications, but should establish a uniform wage for the entire industry within its jurisdiction?

A. Yes, I heard that.

Q. And you knew at the time that Dr. Murchison made that statement that he was purporting to speak on behalf of the members of the Cotton Textile Institute and the members of the American Association of Cotton Manufacturers?

A. Yes.

Q. Did you make any objection or take any exception to Dr. Murchison's statement at the time that it was made?

A. Not a bit.

Q. Would you today make objection or take exception to that statement of Dr. Murchison's?

A. No.

Q. You would not?

A. No.

Q. How, then, may I ask, Mr. West, do you reconcile the statement which you made today on direct examination to the effect that you believed that because of the bimodal characteristic——

Administrator ANDREWS. Pardon me, I don't think he gave the statement in—you said direct examination. Was he examined on that point?

Mr. ABT. Perhaps I should say in your statement.

By Mr. ABT:

Q. How do you reconcile your statement that the Committee neglected to give consideration to the bimodal characteristic of the wage structure in the South, as opposed to a, let's say, unimodal, if there is such a word, characteristic of the wage structure of the North, with the statement that you have just made that you today agree with Dr. Murchison's position that a single wage, uniform throughout the industry, and without occupational classifications, is desirable?

A. Well, when you have an opportunity to read my statement, probably then you will see that there is nothing in my statement which recommends occupational differentials, nothing of the kind. I am not for a moment recommending the setting up of occupational differentials throughout the textile industry on any basis.

Furthermore, my position is that there was not adequate consideration given, because under this law a recommendation if approved will be a basic minimum, and the setting of this basic minimum at a figure which will have all of its impact on a certain group of mills, and little or no impact on other groups of mills, disregards entirely the fact that in a certain group of mills a situation exists that does not exist in the other mills.

The purpose of my statement is not to recommend in any way occupational differentials, but to recognize the fact that this sets a basic wage upon which the whole wage structure will have to be built with, as the Administrator has indicated, the exception of learners and handicapped workers.

Q. Then as I understand your present statement, Mr. West, you are not relying on the bimodal characteristic of the Southern wage structure as an argument in support of occupational classifications.

I now ask you whether in your opinion the bimodal charactertic of the Southern wage structure justifies or requires not an occupational classification, but a differential between the Southern mills where that bimodal characteristic prevails, and the Northern Mills where it does not prevail?

A. Not at all; not at all. The characteristic of the wage structure in the Southern cotton mills has nothing to do with the characteristic of the wage structure in the Northern cotton mills.

We are not dictating their wage schedules. They have their own wage schedules. We are concerned

with the facts that exist in our own mills. Under no circumstances am I advocating differentials between the Southern Mills and the Northern mills, as is involved in the minimum wage. What I purport to set forth in my statement is the fact that this recommendation, due to the inadequate consideration given to the characteristic of the wage structure of the Southern mills, brings all of its impact on the Southern mills, not so much from the establishment of the minimum, but the possible train of consequences from that to the whole wage structure.

Q. Mr. West, I know that you were not in Washington to hear Mr. Tolles testify, but I assume you have read and carefully considered the majority report. Is that correct?

A. Yes.

Q. Do you accept the conclusions stated in the majority report that the effect of a 32½ cent minimum upon the Southern branch of the cotton textile industry would be to increase the total wage bill of that branch of the industry by 6.25 percent?

A. No, I don't agree with that.

Q. On what grounds do you take exception to that conclusion?

A. That conclusion was apparently arrived at by taking the wage bill that would be directly affected by the imposition of the 32½ cent minimum, and the actual raising of the wage bill paid those now below the minimum to that price. And then a certain percentage was taken of those above the minimum that would be affected, and that was based on certain characteristics that developed in wage structure, following the textile code. I think I am correct in that.

Q. In part that was true?

A. In part, yes. Just what was the arithmetical calculation in arriving at that percentage affecting those

above the minimum are concerned, I don't know, but it was the sum of those two things.

As I pointed out in my statement, that is not valid reasoning, because the impact of the 30 cent minimum under the code on the industry was nowhere near as severe, relatively speaking, as this impact of the 32½ cent minimum, because under the code these lower paid groups which have always been lower paid were not brought up to the 30 cent minimum, and consequently did not have this effect on those nearer to that, nearer to them.

Q. You say you are not familiar with the details of the calculation on the basis of which the amount of increase above the minimum was computed by the members of the majority of the Committee?

A. Well, it was not computed by the members of the majority.

Q. Or by the Economists of the Wage and Hour Division, you are not familiar with the details of those figures?

A. No, I am not. It was a percentage arrived at, and a statement was made of that percentage. How they arrived at it, I don't know.

Q. You are familiar with the fact, are you not, Mr. West, that as a result of the 30 cent minimum provided for the N. R. A. code for the Southern branch of the Cotton Textile Industry that the Southern wage bill increased by something like 70 to 72 percent?

A. Yes.

Q. And that that is a far greater increase in total wage bill than any increase which could conceivably be anticipated as a result of a 32½-cent recommendation at this time?

A. Oh, yes, yes, and the question of hours was involved in that situation, which is not involved today.

Q. Now, Mr. West, you based your assumption on bimodality upon chapter 12 I think, of Bulletin 663. Is that correct? I wonder if you will look at page 86 of that bulletin for a moment, Mr. West. And I am referring specifically now to the last paragraph on that page, under the caption "Unskilled Workers," which reads as follows:

> There is some question whether or not the distinction between outside laborers and cleaners and other unskilled workers grew out of an established distinction prior to the code. There was—

And here the bulletin quotes:

> No evidence of practices existing immediately before the code to support the differential provided for in the code between outside workers and cleaners and such groups as filling hands, and trimmers and inspectors.

And that is the end of the quotation, of both quotations. The matter quoted by the bulletin itself is taken from the United States Bureau of Labor Statistics, Textile Report No. 1, pages 33 to 36, mimeographed second edition, February 4, 1935.

You, I assume, were familiar with the statement made in this bulletin at the time you made your statement this morning?

A. Yes.

Q. Have you an opinion as to whether or not the bimodal characteristic of the Southern wage structure antedated the adoption of the N. R. A. code?

A. As near as I have been able to find out there is no statistical evidence of it in the reports that the Bureau of Labor Statistics has. But as a matter of practice, in mills that did exist and have existed for a long time. Immediately prior to the code, the differential prevailing between those classifications probably

was not as great as it was when established under the code, because as this bulletin goes on to point out, with that terrific pressure on wages immediately prior to the code days, they got to a point where the lower pay just couldn't go any lower.

But there is no question but what the differential between this outside labor, cleaners, sweepers, scrubbers, and so-called machine workers has been characteristic of the industry.

Q. In any case, it is true, is it not, that the NRA code materially increases that differential over such differential as existed immediately prior to the code?

A. You mean as a general thing?

Q. Yes.

A. No; I won't say it increased it materially. I suspect, although I have never seen any statistical evidence to support it that it increased it somewhat. But as far as I know, there are no reports of average earnings prior to the code days which give us as ample information as the reports that we get now, which could establish that fact.

Q. In that connection, Mr. West, perhaps you would like to comment on a footnote on the next page of Bulletin 663, to which Mr. Borkein has just called my attention, that footnote No. 3, in which it is stated, "It should be noted, however, that while male laborers were earning about $7.50 a week, female frame spinners and filling hands averaged about $6.25 in July 1933," which would indicate in the case of those two occupational classifications at least, that laborers, outside laborers, were receiving a higher wage than unskilled workers, unskilled female workers, within the mill itself?

A. How about the scrubbers and sweepers and cleaners?

Q. Well, let me ask you first, from your observation, would the fact noted here, or is the fact noted here a

correct one, that is, that outside male laborers or male laborers were receiving a higher wage than unskilled female workers on the machines?

Mr. TAYLOR. What page is that, Mr. Abt?

Mr. ABT. Page 87.

The WITNESS. Well, I don't question the accuracy of these figures. Certainly in a great many mills of my acquaintance such was not the case.

By Mr. ABT:

Q. Such was not the case?

A. Not the case.

Mr. ABT. Thank you, Mr. West. I think that is all I have.

By Mr. PITTS:

Q. In answer to some of the questions of Mr. Abt, you stated that you believed that 6.25-percent increase in labor costs was an underemphasis by the majority; did you not?

A. Oh, yes.

Q. Have you made any estimate, or would you care to make any estimate of what the impact of 32½ cents will be upon the South?

A. Oh, no; there is no way of telling, Mr. Pitts. For instance, it all depends on how far the effect of this minimum on the total wage structure of the industry is going to be.

Now, I estimate from rather inadequate figures—these figures have to do only of course with our own operation—that if the prevailing differential in cents per hour between these lower paid groups and our various stages up is maintained as a result of the imposition of this 32½-cent minimum, that the increase in manufacturing cost is going to be around 22 percent, which is a very substantial amount of money for us. Now, of course——

Q. Am I clear that is manufacturing costs, and not labor costs that you are speaking of?

A. No, that is labor costs.

Q. That is labor costs, not manufacturing costs?

A. Yes. But of course I don't say that that is going to be the actual result of it, because it is obviously going to be impossible for mills to maintain those differentials. That is, there is not the return from the product to justify it, so there will be the constant, and in some cases, effective resistance to the maintenance of those differentials. And, in other cases, the response will probably not be so effective. It will vary a great deal from situation to situation, all the way from no maintenance of the differential, all the way up to full maintenance of the differential, and I have no way of telling just where it will lie.

Q. The tendency will be to minimize the 22 percent increase that you have estimated by virtue of the fact that some mills cannot maintain that same differential that is now maintained?

A. Oh, yes; surely. That is, I know of no mill at the moment with the market conditions and the prices at which we can sell our merchandise that could possibly maintain those differentials.

Q. And they will do it as they can afford to as the pressure is exerted in increasing measure?

A. Yes, I think without any question, if this went into effect, that over a period of time we would get a spreading out of the chart of the wage structure, much as we did following the N. R. A. But the opportunity of doing that under the N. R. A. was much greater than it is under this law, due to the fact of these exempted classifications which are not contemplated by this law.

Q. I believe I understand that explanation you gave Mr. Abt, and your own statement originally.

Now, in answering another question of Mr. Abt, I believe you said that the impact of this 32½-cent min-

imum, if adopted, would not be in any measure as severe as the impact of the increased burden upon the textile industry of the N. R. A. code?

A. Not in labor costs per pound.

Q. Not in labor cost. That is by virtue of the reduction in number of hours as well as the imposition of a minimum wage, even though qualified by permitting outside labor to have a lower minimum?

A. Oh, yes.

Q. Mr. West, I would like to read you from your statement to the Tri-Partite Technical Conference on the Textile Industry, delivered in Washington in April 1937, as follows, and I want to ask you a question after I have finished. You were speaking of the N. R. A. code at that time.

> The introduction of the 40-hour workweek and other labor standards as a basis for competition in the cotton textile industry of the United States of America was designed to accomplish three purposes:
>
> (1) To reduce unemployment and stop the decline in workers' income.
>
> (2) To protect the equity of owners.
>
> (3) To afford a more stable basis upon which management might conduct its competitive practices.
>
> Detailed records of what has happened to employment, wages, and return to investors following this change in the United States are available from the public records. I confine myself to the influence of this change in working hours and manufacturing costs.

On page 3, you make further statements with regard to manufacturing costs as follows:

> The embarrassment which faced industrial management, however, when this change in working hours was made was not the relative average labor cost spread over a period of years,

but the immediate rise brought about by paying for 40 hours of work the same amount as had been paid for 55 hours. In view of the anticipated rise in labor costs for this reason amounting to 37½ percent, and also the very substantial rise in raw-material costs which occurred at the same time, it was suggested to management that it would do well to review its technical procedures to ascertain if by any chance it were possible to absorb part of this anticipated rise in costs by a revision of technical procedures. It is interesting to note that within 18 months after the introduction of the 40-hour work week the actual increase in labor cost was 12 percent, rather than the anticipated 37½ percent without in any way lowering the wage rates. By way of example, 5.8 cents per unit was the direct labor cost at one of our plants under the 55-hour week. Upon changing to a 40-hour week, the anticipated labor cost became 8 cents per unit. The actual labor cost became 6½ cents per unit, or a net increase of 12 percent because of the shorter work week. This was made possible by the utilization of improved machinery, better arrangement of processes and application of skilled labor, and the more adequate scheduling of the flow of production and better selection of raw materials. Mill records indicate that production unit, per man-hour, rose in the course of that time from four units per man-hour to five. It can be seen, therefore, that the shock to costs brought about by the drastic change in working hours became absorbed to the extent of approximately 70 percent of the anticipated rise by technological means of better machinery, more convenient arrangement of processing, and more accurate control. The necessity and possibility of improved technology, therefore, was the third fact thrown up in bold relief by the change from 55 hours to 40 hours. It seems to be reasonably clear that it cannot be said categorically or with universal validity that the reduction of hours of work from

55 to 40 necessarily raises labor costs in the same proportion.

Would you believe Mr. West, that the impact of this 32½ cent minimum, despite estimates of its drastic effect might work out in the same fashion?

A. Yes; surely.

Q. Is there any conclusive proof obtained from any source that the drastic effects that have been recited here will inevitably result?

A. Oh, yes. The drastic effects are going to come about upon those mills that are not able to compensate in such a way as I described in that paper before the Textile Conference.

Of course the mills are going to reduce their costs. They are bound to. It has to be perpetually done, and the result of that—and please observe that paper was on the question of the 40-hour week and not on the question of minimum wage.

Q. As I understand its introduction, "and other labor standards"?

A. Yes, sir; that is right.

Q. I don't know what you refer to when you said that. You said the introduction of the 40-hour week, and the other labor standard?

A. The other labor standard was the fact the same amount was to be paid for the 40-hour week that was previously paid for the longer week. That was part of the code, as you will recall. And a result of that drastic change was the introduction of the two-shift operation in cotton mills, and of course the next step from the two-shift is the three-shift operation. Now, the mills that by virtue of any arbitrary change in their costs have equipment or procedures that give them an advantage at a given wage rate go on to three shifts to get a reduction in cost. And that means a dislocation of the business, the business passing on to the producers who increase their degree of operation.

Of course if any arbitrary raising of costs is going to be made for any reason whatever, either by legislation or otherwise, the immediate effort of mill management is to adopt procedures to get their costs down even at higher wages. That is to be expected. No one will deny that. If the mill manager didn't do that he would lose his job.

The production of goods at the lowest possible cost under given circumstances is one of the major concerns of management. And every time a definite or arbitrary increase in cost is made, it immediately precipitates increased effort to get those costs down. And of course one of the methods that is pursued is the weeding out of the more inefficient labor, because as labor costs go up, the utilization of labor has to be made more perfect.

Q. The introduction of the third shift, if that did result from the imposition of this minimum wage, would not in itself alter the net employment figure, would it, Mr. West?

A. Well, I expect it would, somewhat. I expect that twelve million spindles in this industry, running three shifts, would employ fewer people than eighteen million spindles running two shifts. Certainly such would be the case in our property. It would take fewer people to run a given number of spindles three shifts than it would to run a proportionate additional number of spindles two shifts. That is due to the overlapping services of one kind or another, where the augmentation would not be as great, would not be proportionately as great as in adopting another shift.

Administrator ANDREWS. You are against the third shift, are you, Mr. West?

The WITNESS. Yes, sir.

Q. Do you believe, Mr. West, that the imposition of this 32½ cent minimum will substantially curtail em-

ployment in the textile industry as a whole, net employment?

A. It is my opinion that it will bring about a substantial dislocation of employment in the textile industry, because of the drastic change coming so quickly.

The eventual employment in the textile industry is dependent upon the factors which have nothing to do with dictating this 32½ cent minimum. They are effects of soil, factors of competition from other fibers, factors of the general disposition of the American public to buy cotton goods. We have seen times when the most intense activity and the greatest employment in the industry has been at the highest wages and the highest prices. It eventually proved in most cases that it was purely a speculative activity, which eventually brought about quite the contrary within a short period of time. And it is impossible to say the extent to which this 32½ cent minimum will cause people to lose their jobs, because I don't know.

A European war will cause more people to lose their jobs in this country for the time being at least than a 32½-cent minimum. On the other hand, a speculative rise in the price of material will probably put a lot of people to work, that this minimum would have nothing to do with. That is to say the effects governing employment are so various that to pick out one isolated one and say that will cause unemployment, or will not, is not sound. It cannot be said, as I stated in my statement, but it is my opinion, that where, particularly here in the South, we take and raise this minimum from the statutory minimum of 25 cents per hour, suddenly to 32½ cents per hour, particularly with the impact that it has on the wage structure of the Southern textile industry, that it is going to cause a severe dislocation in the industry, probably very spotted, and probably temporarily working to the advantage of certain mills,

to the very great disadvantage of other mills. That is an opinion that I express.

Q. Will it on the basis of present conditions, Mr. West, will it have any appreciable effect upon employment in your own operations?

A. No, I expect not. In our particular business, there are other considerations that probably would far outweigh it, but its importai t effect on the employment in our particular business p obably would not be significant.

Q. You have heard the expression, Mr. West, that the speed of the fleet is that of its slowest ship. Do you believe that a minimum-wage law should be based upon the speed or the ability to pay wages of the very slowest or lowest of the elements in that industry?

A. No, not necessarily. I believe a minimum wage law should be based within reason on the capacity of the ordinary man to earn.

Q. I believe you have stated no one could say with certainty the amount of unemployment that might be produced by any minimum wage between 25 cents and 40 cents?

A. That is right.

Q. So that any minimum wage would cause some of the slowest or the lowest of the elements of an industry to curtail employment?

A. Oh, yes. But the important thing to me seems to be the fact here we have a statutory minimum. I am not debating the wisdom or the unwisdom of the statutory minimum, but the important thing in this recommendation in my mind is the lifting of that statutory minimum by discretionary power to 7½ cents higher, due to the effect that it will have on the wage structure of the Southern textile industry.

Mr. PITTS. Mr. Administrator, I have one or two further questions I would like to ask in view of the ab-

sence of a ruling by you excluding material that was considered by the Committee. I am reserving my objection to the introduction of all evidence of that type, but in view of the fact it is in the record, I feel I am obliged to ask further questions that relate to that evidence.

Administrator ANDREWS. All right.

By Mr. PITTS:

Q. Mr. West, you were a member of the Committee and of Sub-Committee D, were you not?

A. Yes.

Q. Statements were made the other day that the employees of the Wage-Hour Division provided inaccurate and distorted information to Committee Number One, is that your opinion too?

A. Well, of course to a person who is not familiar with the processes of thought and the phraseology of economists and statisticians, and of those better equipped than we, I suppose some statements could be described that way. I don't for a moment impugn the integrity or the mathematical accuracy of the figures, any figures that came within my hearing.

I question very much the conclusions that were drawn from some of them on the part of the officials, but I have no complaint to make at all about the way the statistics and such facts as were available were presented to the Committee by the members of the staff of the Wage-Hour Division of the Bureau of Labor Statistics, because presumably the 21 of us on that Committee were moderately intelligent and if we detected in those statements statements did not square with our conception of the facts, we were perfectly at liberty at all times to make that deduction and to state our feelings.

Q. In fact such statements were made and additional material from time to time supplied, was that not correct?

A. That is true.

Q. Particularly with reference to the effect upon prices?

A. Yes.

Q. Retail prices?

A. Yes.

Q. A further statement was made with relation to the transportation data as presented to the Committee. Is it not true that the Sub Committee D was asked if it desired any further information on that subject?

A. I cannot recall, Mr. Pitts. My feeling on that whole transportation situation was that there was not adequate information available for the summary dismissal of it as an important part of the situation. It happens that I am in a mild way acquainted with the intricacies of the freight rate structure, and of course it is needless for me to say it is very involved. All that glitters is not gold in the freight rate situation, but I had a feeling that in the discussion of it in the Committee, the matter was not sufficiently developed.

Q. Mr. West, from your own knowledge of the intricacies of the transportation field and the freight rate structures, would you say that it would be feasible to make a differential in wages as a minimum level based upon such differential as there may be in transportation costs?

A. No. I think it would be impossible for any group of men to arrive at a wage differential which would purport to reflect the freight differentials because they vary so much from one part of the country to another part of the country. By and large in a large section of the industry there is a handicap in the freight rates

to the great markets in this country on textile goods. But it so dispersed, and so uneven in its impact that for any group of men, particularly if there were in that group competitors of the rest of the industry, to establish wage differentials in one area as against another area, as opposed to a third area, to perfectly reflect that, in my opinion, it could not be done.

Mr. PITTS. Thank you.

By Mr. SHISHKIN:

Q. Mr. West, with further reference to your able statement referred to by Mr. Pitts, made before the third world textile conference, now, in reference to the last question that Mr. Pitts asked you with reference to the production in the 40-hour week and other labor standards, you said that the other labor standards referred to the fact that the same amount per hour was paid in a 40-hour week instead of the longer hours that existed before?

A. Yes, sir.

Q. Isn't it a fact when the maximum hours went into effect, that the minimum wage went into effect, that the adjustment was made in the wages as well as the hours?

A. Yes, the minimum wage went into effect.

Q. And that your adjustment in the minimum wage alone was substantially greater as a result of the N. R. A. minimum, than might result from the minimum recommended by the Committee here?

A. I am not so sure of that. No, per hour?

Q. On the hourly rate?

A. Yes, per hour, it would be substantially more.

Q. Isn't it a fact that the reduction in the maximum hours of work would further increase cost as a separate factor, in the labor cost, as it happened under the N. R. A.?

A. It is the cost per labor hour, of course, that governs the labor cost of manufacturing.

Q. But I am referring to the total labor cost; wouldn't that be true in every labor cost; wouldn't it be true that two separate factors reflecting the cost in the—reflect the cost of the N. R. A.—first, the number of hours of work, and two, the minimum established under the N. R. A.; isn't that correct?

A. Yes, sir.

Q. Do the differences then exist in the South between one establishment and another; are they in some instances as substantial as the differences that may exist in the minimum wage between the North and the South?

A. Yes, I think, very likely.

Q. Would you say, Mr. West, that the labor in the textile industry in the South is more or less efficient than the textile industry in the North?

A. No, I would say it is not less efficient on the whole. Southern textile labor, in my opinion, on the whole, is somewhat less precise than the textile labor in the North; somewhat less is expected of them in the production of goods, but on the whole, and certainly from my experience, I should say that labor in the South is fully as efficient, or fully as susceptible to training for efficiency as in the North.

Q. Would you say greater precision is a more important factor of the workers in the higher brackets, or those in the lower brackets?

A. In the higher brackets.

Mr. SHISHKIN. I thank you.

Administrator ANDREWS. Mr. West, I think that there was some intimation by a previous witness that some of the members of the staff in the Wage and Hour Division influenced or tried to influence the Committee in reaching a conclusion. Were you influenced by any members of our staff?

The WITNESS. Certainly, I was not. My conclusions in the matter, I thought it out all by myself. Of course, there is no question about the fact, Mr. Administrator, that there was considerable irritation by certain public announcements that were made, but that was handsomely amended for—pardon my grammar— handsome amends were made for that, I should say. I would say to the best of my knowledge and belief, the staff did their best to give us the information required. And, certainly, as far as I am concerned, I was not influenced in arriving at my conclusion, by any opinions that might have been expressed.

As a matter of fact, I don't recall having heard a member of the staff express an opinion as to any appropriate minimum wage.

Administrator ANDREWS. You never saw me at any of those meetings, did you?

The WITNESS. No, that was one of the pleasures that was denied us.

Administrator ANDREWS. Maybe it was fortunate.

Mr. MCNULTY. Just so that the record is perfectly clear as to Mr. West's ultimate position—may I ask you whether or not it is your position that the Industry Committee erred in that it did not recommend a differential in the North and the South?

The WITNESS. No, sir; it is not.

Mr. MCNULTY. Your position is that the recommended wage, for the reasons that you have stated, is too high?

The WITNESS. It is too high, and that the Majority of the Committee, in arriving at this recommendation, failed in giving the weight of consideration to the facts that I have set forth. And in that way, erred.

Their instructions were that all of the factors that entered into it, to arrive at a minimum wage that would comply with the law, or rather, a recommenda-

tion for one, should be given consideration, and this important fact which existed, whether we liked it or not, failed on the part of the Committee to get the consideration, and to be reflected in their recommendation as it should. I would have no intention of proposing differentials on the basis of regions or any other. It is the basic minimum recommendation of the Committee that is too high, in view of the facts that exist in the industry.

Mr. McNULTY. I think you previously testified that the Committee did give some consideration to that fact.

The WITNESS. In an airy sort of way, yes.

(Direct examination.)

TESTIMONY OF L. O. KIMBERLY, JR.—(2064)

The witness, after stating that he had had eighteen years experience in freight traffic work and lived in Atlanta, Ga., testified as follows. (2065)

. . . I was the rate witness for the Southern Textile Industry in the proceeding before the Interstate Commerce Commission which involved a general revision of all rates on textile products throughout the country. That was a very

lengthly proceeding, and in that case, I made a study of the rate levels in the North and in the South and between the territories, and I believe I am fairly well familiar with the general rate structure on these products. . . . (2066)

. . . manufacturers in the Southern States have a disadvantage in the average cost for the transportation of these products to the principal markets which are in the densely populated and industrialized states North of the Ohio and Potomac Rivers and East of the Mississippi River. This disadvantage is attributable first, to the greater average distances than from the competing shipping points in the Eastern and New England States to these markets and, second, to the higher average level of rates per mile from the South than that maintained for equal distances within the North. . . . (2067)

The general basis for the revised rates on textile products prescribed by the Interstate Commerce Commission in I. & S. Docket 3636, 211 ICC 692, which was the general revision of rates recently made, was referred to in the Commission's report in that case, page 795 as averaging approximately 10% higher, mile for mile, from points of production in the South to destinations in the North than the basis of rates prescribed in the North.

This higher level of rates per mile, however, is not the principal disadvantage of southern shippers. It is merely an additional handicap super-imposed on the higher rates that would result even if made the same for equal distances from the South and within the North since the location of the southern mills is such that the average distances are greater than from the eastern shipping points to the large consuming markets in the eastern and northern states.

It would not be practicable to prepare statements showing the rates and distances from all of the mill points in the North and South to all of the important markets since such statements would require millions of computations of distances and rate figures. However, (2068) based upon my familiarity with the general adjustment, I have selected representative base group mill points in the producing districts and have prepared statements showing differences in transportation costs via various classes of routes and also differences in rates and distances via the direct rail routes to the most important markets. . . . (2069)

It will be noted from Page 2 of the Exhibit that the average cost for transporting these fabrics from eastern mill points to New York is 34.2 cents per 100 (2070) pounds while the average cost from the southern mill points is approximately 2½ times as great or 85.2 cents per 100 pounds. The differential or rate disadvantage which the southern mills have to absorb or equalize when selling these products in the principal consuming market of New York is shown to average 51 cents per 100 pounds. . . .

My next exhibit, No. 9, which has a symbol "B" in the upper right hand corner, consists of one page and compares the transportation costs in cents per 100 pounds on the basic commodity description, Cotton Fabrics in the Original Piece, to the 25 largest cities in the United States. . . . (2071)

. . .the average rates from the southern base groups, Atlanta and Charlotte exceed the average rates from the eastern base groups, Boston and Philadelphia, by 27 cents per 100 pounds when shipments are forwarded via routes over which the lowest rates are available from each of the origins to the destinations shown. . . . When traffic is handled via the standard all rail routes the differential by which the

rates from the south exceed those from the eastern groups averages 16 cents per 100 pounds to (2072) these cities. . . . (2075)

. . . the Southern Mills do not have rates in connection with the water routes reflecting as great a differential under the rail rates as the differential available to the eastern shippers. . . . (2076)

The next Exhibit, No. 10, consists of 10 pages and compares rates via standard all rail routes on cotton fabrics in the original piece from Atlanta, the southern base group, and from Boston, the base group point on traffic from New England mill territory to all of the cities on and east of the Mississippi River with 25,000 population or greater, this embracing a total of 283 cities. . . . (2077)

. . . That is under the present adjustment of rates the average transportation cost from the Nw England Base Group mill points to all of these cities is 78.9 cents per 100 pounds whereas from Atlanta the average is 102.5 cents per 100 pounds. . . . (2078)

In other words, the present average rate from Atlanta is 129.4% of the average rate from Boston to all of these cities which results in the southern mills having a transportation cost disadvantage of 29.4% due to a combination of the distance disadvantage with the disadvantage of a higher level of rates per mile. Even if the difference in rate level per mile should be removed and rates made the same for equal distances from Southern and New England mill points the rates from Atlanta would still be 117.5% of the rates from Boston to all of these cities leaving the Southern Base Group mill points (2079) with a transportation cost disadvantage of 17.5%. . . . (2082)

The southern mills do not have any compensating advantage in the inbound rates on Cotton to off-set the higher transportation cost on the manufactured cotton products to the principal markets. The cotton production in the states west of the Mississippi River and in the Mississippi Valley is more than three times the production in the southern textile states of Alabama, Georgia, North Carolina and South Carolina. The lastest figures compiled by the United States Department of Commerce for the year ended July 31st, 1938 (Bulletin 175 Cotton Production and Distribution) show 12,809,304 bales produced in the Western and Mississippi Valley states while only 4,066,406 bales were produced in the Carolinas, Alabama and Georgia: On all of the western cotton which must necessarily be used or is more suitable than local cotton in the southern mill territory for use in the manufacture of some types of fabrics the Eastern and New England mills have a transportation cost advantage by reason of lower rates in connection with the water routes through the Gulf ports than the rates available to southern mills. The combination of these inbound rates on cotton and the outbound rates on the manufactured cotton products gives the eastern mills a substantial advantage. . . .

TESTIMONY OF L. O. KIMBERLY, JR. (T. 2088)

The witness, a resident of Atlanta, Georgia, stated that he was assistant to the manager of the Traffic Department representing the American Cotton Manufacturers Association and others. He testified on cross-examination as follows:

Cross-examination by Mr. HARRINGTON:

Q. You spoke of the Commission's reference to a differential of 10 percent?

A. Yes, sir.

Q. As between the South and the North?

A. Yes, sir.

Q. Do you agree with your friend from North Carolina who testified in the hearings before the Senate and House Committees that the figure was probably 103 or 104 percent at the present time?

A. Well, Mr. Harrington, the exact difference could only be computed by making an actual test of all of the rates. I merely cited the 10 percent as the figure used in the Commission's report. I made some check of the rates and thus far the average figures apparently range around 8 percent or 8½ percent.

Q. Now, in the Commission's consideration of that textile case, did they include the rail-water rates to the North Atlantic ports in that 10 percent average?

A. No; that was an average of the rail rates and did not include the rail and lake rates from Boston to Chicago, where you have those lower rates.

Q. Nor the rail-water rates from the South to the North?

A. That is correct.

Q. And those rates are much below the basis prescribed by the Commission for all-rail application, are they not?

A. Well, they are some lower, just as you have some rates some lower from New England. I don't know just whether they are lower to a greater extent than your rates or not. Anyway, the 10 percent difference was the rail-rate difference.

Q. You would not venture to say that the rail-water rates from the South to the North were not considerably below the prescribed all-rail rates, would you?

A. It depends on what you term the North. If you speak only of the ports of New York and Boston, and those port cities, there is a greater difference under the rail rates than the interior. Now, to the interior by rail and water, they are only 2 cents less than all rail.

Q. My question was rail-water rates.

A. The rail-water rates are lower to approximately the same extent as your rail-water rates to Chicago.

Q. These rates that you have shown from New England points on your exhibit 8, I believe, you say that exhibit portrays transportation cost?

A. Yes, sir.

Q. Do you include delivery in New York City as part of that transportation cost?

A. Well, this exhibit shows the rates as published in the tariffs. Now, on less-than-carload traffic the rates from the South include store-door delivery.

Now, as to your situation from the East, you have some of the rates less than a minimum figure, I believe it is 45 cents, which do not include such store-door delivery in less carload lots.

Q. Where is your authority for the statement that our commodity rates in excess of 45 cents include store-door delivery?

A. Well, there is a general store-door pick up and delivery tariff, I don't know the I. C. C. reference, I don't have it before me, providing for free delivery at practically all of the Eastern points, but it is subject to this minimum. Rates must be at least 45 cents.

Q. But you remember, with your acquaintanceship with those commodity rates and tariffs, they specifically read they do not include delivery service?

A. These rates from New England to New York—just a second, the ones to the Port of New York—they have a reference in there that from certain origins they will not include the store-door delivery. I think they named five or six origins, and of course this exhibit has 50 different origins in it, so that that restriction would be applicable only to the rates from a half dozen origins named in Rule 8 of the New Haven Tariff.

Q. That is not true as to the rates from Maine, published in the Maine Central Tariff?

A. Well, I don't have that tariff before me, but the rates from Maine, they publish different rates by different routes. They have an all-rail route rate, and a rail-water rate. Not having the tariff before me I don't recall whether those rates include the delivery in New York or not.

Q. Testimony has been introduced in this case that they do not.

A. Even assuming that they do not, there was plenty of margin in the exhibit to show that a difference exists, a large difference exists in the average case.

Q. My question was merely as to that fact.

A. As to that, you may add the 5 cents per 100 pounds or whatever the delivery cost is and still have a difference of approximately 45 cents.

Q. You didn't mean 5 cents would in any way represent the cost of delivery in New York City, did you, on textile products?

A. Well, I don't know what your actual costs are. I guess it would vary according to the particular industry to which the delivery was made. But that is generally accepted as the amount of allowance for pickup and delivery where the shipper performs the service himself.

Q. Have you any knowledge of the cost of delivery in New York City then?

A. No, I don't have the actual cost to the carriers; no,

Q. In the selection of these representative Southern mill points, by merely varying the points selected, you could get an entirely different picture, could you not?

A. That is correct, and that is why I explained that on this particular exhibit I made a geographical selection. Now, you will notice, I made several different types of analyses of the rate adjustment.

Q. I am speaking of Exhibit 8.

A. As to this particular exhibit, the origins were selected geographically only in the textile states.

Q. In your North Carolina adjustment, I notice you show rates from 67 cents to 85 cents?

A. That is correct.

Q. Isn't it a fact that you have rates lower than that basis from some points in North Carolina?

A. Well, from some points closer to Norfolk, there may be some slightly lower rates, but in this exhibit I endeavored to cover the states pretty thoroughly from a geographical standpoint. I went as far as Raleigh and Winston-Salem, and then in the other direction as far as Asheville. That would include all of the princi-

pal mill territory of North Carolina. There would be a few points in the Northeastern section, right near Norfolk that might have slightly lower rates. But I didn't try to get extremes in either case, either from the North or South. I tried to get a fairly representative average.

Q. How many mill points are there in the state of Virginia, that you know of?

A. Danville, Martinville, and possibly a few more, but not very many more.

Q. And of course from there to New York City your rate is much lower than the rate from certain other points shown on the exhibit?

A. Well, this exhibit shows the rates from Danville and Martinville, Virginia, which are representative of the Virginia textile mill district.

Q. Those other points would be grouped with those rates?

A. Yes, sir.

Q. On your Exhibit No. 9, you have taken as your Northern destinations Boston and Philadelphia?

A. Yes, sir.

Q. Both of those are port cities, are they not?

A. That is correct.

Q. And are they large textile producing points?

A. There are large textile producing centers—in other words, the rates are grouped around Boston and around Philadelphia. They are in the Boston group and in the Philadelphia group.

Q. So that under those column rates via such routes you have used water rates wherever possible, have you not?

A. That is correct.

Q. Do you think a water rate from Boston would be representative of the transportation costs that New England shippers would be faced with on traffic of that nature?

A. Yes; because most of the New England mills are located either at the Seaboard, such as New Bedford, Providence, and Boston, or in very close proximity to the Seaboard.

Now, of course, this exhibit shows rates by both classes of routes. You can take all-rail or rail-water, and that is the reason I prepared the exhibit in that form, to show that whichever method you use, you still have a disadvantage of the Southern mills.

Q. Can you visualize a heavy movement of textiles from Boston to San Francisco via the rail routes?

A. Well, I don't know whether there would be a large movement there by rail or not. But I show both the rail- and the water-route movements, which gives you a picture of the rates available by both classes of routes, from both New England and Southern mill points.

Q. You don't have what the interior producer must pay in excess of that water rate on that movement, do you?

A. No, this exhibit doesn't show and inland rate from the New England mill points to Boston, but those inland rates would not exist in the case of points such as Providence and New Bedford or the other cities where you have direct steamer service to the Pacific Coast.

Q. But they would exist at such points as Augusta, Biddeford, Nashua and other points—Lewiston.

A. From the extreme Northern end of your interior, or points inland, such as Springfield, Massachusetts, you would have rates into the ports that would have to be added, if you made a comparison with those points.

Q. Of course this exhibit makes no attempt to portray that picture?

A. This exhibit, as I explained, is only a question of selecting representative points. You couldn't take

them all. There are lots of mill points having the same sort of adjustment that Boston has, such as New Bedford, Providence, and points right in that vicinity. That is representative of that.

Philadelphia rates are representative of points in that group, located like Chester, Pennsylvania, and points in that neighborhood.

Atlanta and Charlotte represent the Southern points near these cities.

Q. Have you a mill at Savannah, Georgia?

A. No, sir, I don't know of any. There may possibly be one, I don't know.

Q. If you should compare Boston, wouldn't it be a much more even showing if you took Savannah, Georgia, as opposed to Boston on some of these points?

A. I am sure, just from my general knowledge of it, if Savannah had been used, the average rate would be higher than from Atlanta, because of these 25 cities there are only a few of them located on the water, and rates from Savannah would exceed those from Atlanta by more than that difference to the other 20 cities not on the water. It would not be representative of the Southern mill territory to use Savannah, because the Southern mills are located inland two or three hundred miles from the port, while the New England mills are right at the ports or very close to them.

Q. Do you think that is true of all New England mills?

A. Not all. I say your textile producing area is centered probably within 50 miles of your port, or some port, not necessarily all within 50 miles of Boston, but I believe that would embrace most of them, most of your spindleage to get within 50 miles of the coast, pretty close to it.

Q. All of those ports have through service to the West Coast?

A. Well, you have from Providence, Boston, New Bedford, and Albany, New York, when you get up around Utica, you have from New York City, Philadelphia, Baltimore, and Portland, Maine.

Q. Through service to the Pacific Coast?

A. They publish rates from Portland. I don't know whether steamers transfer the traffic or not, but through rates are published.

Q. Your Exhibit 10, you have limited that to the principal cities of the United States east of the Mississippi River?

A. That is correct.

Q. Now, if we look at the principal cities west of the Mississippi River, beginning at St. Louis, working down the river from there, what is the relative position of the New England shipper as compared with the shipper in Georgia or North Carolina?

A. I have not made an actual check of those differences. Now, I can tell you in a general way the relationship to the North, territory beginning at Minneapolis, St. Paul, and Duluth, there is a considerable advantage for the New England shipper.

Now, to the central part of the territory, such as Kansas City, the rates are lower from the South, and when you get down to near the Gulf, around Houston, Galveston, the New England mills again have the advantage by reason of the water routes.

Q. The rates between the South and that portion of the Southwest have just recently been reduced, haven't they?

A. That is correct, and as I explained them in submitting this exhibit, it was not possible to show all of the cities in the whole country, and I picked the territory east of the river because that represents at least 70 to 80 percent of the total consumption.

Q. There is a movement of the commodities on rates on other than these, that is, you have your dry goods rates, and so forth?

A. That is correct. That was the purpose of my next exhibit, No. 11, to show the relationship which the rates on those commodities are to the cotton piece goods rates.

Q. Take your rate from Atlanta to Chicago, and the standard all-rail rate from Boston to Chicago on the dry goods, what is that picture?

A. The rate from Atlanta to Chicago would be 140 percent of the cotton goods rate.

Q. In cents per hundred pounds?

A. Well, let's see. I have it here in the tariff.

Q. Well, probably I can shorten it. Isn't it a fact that the rate from Atlanta is lower than the rate from Boston to Chicago?

A. Yes, that is—well, let's see, I believe that is correct. I wouldn't like to make an absolute statement of it without checking it, but the basis of rates from Atlanta is 40 percent higher than the piece goods rate, which is a temporary rate that we have to Chicago.

Q. On your Exhibit No. 12, you have shown as a New England finishing point New Bedford, Mass.

A. This particular exhibit does not show finishing points. It shows the cotton manufacturing points, cotton goods manufacturing points.

Q. That is right, I beg your pardon. It shows New Bedford as the manufacturing point on this cotton?

A. That is correct.

Q. New Bedford is located on water?

A. That is right.

Q. And the cotton rates are the water rates from the Southwest, I take it?

A. That is correct, but they include delivery to industries in New Bedford.

Q. If you took a mill where as you moved back from the water in New England, that rate would be increased, would it not?

A. Yes.

Q. So that for each mill point, as you step back from the water, you would make a different picture?

A. That is true. Of course you cannot take them all. I had to try to make a comparison with my representative points. That is all I tried to do.

Q. I was not criticizing, I was merely pointing it out.

Now, on your Exhibit 15, we find the same picture, don't we?

A. Exhibit 13?

Q. 13, where you have used the finishing plants?

A. Finishing plants.

Q. Yes.

A. Well, this exhibit shows as finishing points Kent Mere, Delaware, Providence, Rhode Island, Fall River, Massachusetts.

Q. And Fall River, Massachusetts, and Providence, Rhode Island, are both water points?

A. That is correct, but to Fall River there are no rail-water rates. The rates are rail-water-rail.

Q. Still that is below the rail rate?

A. That is correct.

Q. There are finishing points in Northern New England, are there not?

A. Yes.

Q. If you take a combination on some point removed from the Seaboard, you would get higher rates, I take it?

A. Yes, that is true. The further out of route you go, the higher the rate would be. Naturally you would have better transportation service involved.

Q. Now, in considering the difference in rates between the North and the South as a whole, what is the

difference, the average difference that you have found existed?

A. 29.4 percent.

Q. Now, considering the rates from your Southern origins alone, to New York City, isn't it a fact that the difference in those Southern rates between the high and the low is greater than that figure?

A. You mean the range of rates from one Southern point compared with another?

Q. Yes.

A. That is true. The same thing is true of the New England mill points and Eastern mill points.

Q. So that if we look at Virginia alone, we get one picture, but if you take Virginia and compare it with the rates from some other point, you get that greater spread than you got in your average between the North and the South?

A. That is true, but I would like to say in connection with that that rates are not made by state lines; that is, they are made by territorial groups in the rate levels fixed. They are made from the Southern Territory and from the Eastern or Official Territory.

Q. In what manner, might I ask?

A. Well, you have—your rates are related to a class rate scale which is a much lower scale of rates than the basic scale used as a relationship for the rates from the South.

In other words, the points I have shown as Southern mill points are those from which the rates are related to the higher class rate scale, which is the Southern Territorial basis.

Q. Did you point out that the percentage of first-class relationship, or the relationship to that first-class rate was lower?

A. It is lower from the South, but the net result is as shown by taking a lower percentage of the higher

first class, we have a higher rate level in addition to the distance disadvantage.

By Mr. HARRINGTON:

Q. There are rates, however, from certain locations in the South to New York City which will be lower than the rates from certain points in New England, if there is added to the New England rates a charge for delivery in New York City, would you say that that is true or not?

A. Well, let's see, I have a rate here from Danville of 58 cents, and it is my recollection that at the time that you add your delivery charges in New York City, that you wouldn't get much over forty cents for your rate.

Q. What is the rate from Waterville, Maine, to New York City?

A. I don't have that town, but I have rates from other Maine points ranging from 51 to 57 cents.

Q. And your Danville rate was 58 cents, is that correct?

A. Yes sir.

Q. And still, the adding of a delivery charge to that Maine rate wouldn't make the Maine rate higher?

A. I didn't say that. I said that you had rates much lower than the rates from the South generally. Of course, you might find some extreme case.

Q. And isn't it a fact that some rates are higher?

A. You are bound to have some rates lower than the average, and you are bound to have some rates higher than the average. I am not making a comparison of the highest rates in this exhibit, but I am making a comparison of the averages as fairly as I can compute those averages.

Q. But you must consider the local mill situation in each case, must you not?

A. It depends on what you are to consider it for. If you are going to make a different wage level in each mill, you might have to do that, but I understand that this is a territorial proposition, for the whole country?

Q. I wasn't going to speak of the relationship of freight rates to wage levels, but you have commented on it. How would you, if you took a mill at Danville, Virginia, and you gave that mill the benefit of being located in the South as to their wage and hour differential, what would you do for the rate from this point in Maine, which had a higher rate to New York City?

A. That is an illustration of extremes, on the extreme northern edge of the Southern group, and on the extreme northern edge of the Northern group, and it would not be a fair comparison. The Waterville, Maine, man would have, as to the general territory, maybe a better relationship than the man located in Danville. New York is only one destination in that comparison. You can have certain rates from a mill point in one territory to New York lower than from another in another territory to New York, but when you get the general average, your general average is lower on an average in the North than our rates in the South.

Mr. HARRINGTON. That's all.

Mr. PITTS. Now, will you go ahead, now?

Mr. JOHANSON. I want to ask a question right here.

Redirect examination by Mr. JOHANSON:

Q. It is right on a point that Mr. Harrington brought out that I wish to ask you this question. Would you say that Danville is probably the furthest Northern Southern mill?

A. Yes, sir, that is right.

Q. And would you say that Waterville, Maine, is the farthest distance from New York that you can find?

A. That is correct, in the New England mill territory.

Administrator ANDREWS. Are many textiles shipped to Canada?

The WITNESS. Some. Some textiles are shipped to Canada, not a very great volume from the South. I don't know the movement from the New England states. I know that we did have some through rates from the South to Canada, but those through rates have been cancelled, and so I suppose that New England is shipping them up there now.

Recross-examination by Mr. HARRINGTON:

Q. Have you any basis in fact for that statement that you made that you suppose that New England was shipping them to Canada now?

A. The only statement of fact that I made in that answer was that our through rates to Canada had been cancelled, and that is the only statement of fact I made. And I said that I supposed that you are shipping them up to Canada now.

Q. Do you know of a movement in Canada that has been started for the establishment of textile mills of their own?

A. I know that they have some textile mills up there.

Q. Do you know whether or not there is any agreement in the trade treaty that establishes a wall against United States textiles moving into Canada?

A. Maybe that explains, partly, the cancellation of our rates from the South for through rates to Canada on textiles.

By Mr. PITTS:

Q. Now, referring to your Exhibit No. 9, will you tell us how you chose Philadelphia as a representative base group, or as being the base for a group of mills?

A. Mr. Pitts, in this exhibit, I had Boston as a group

point in the Northern part of this Eastern New England territory, so I used Philadelphia as a point representative of the adjustment such as Kenmere, and Rockford, Delaware, and Chester, Pennsylvania, and Reading and of that textile section near Philadelphia.

Q. Is it true that there are cotton textile developments near Philadelphia?

A. Yes, sir.

Q. Do you know the percentage of the total production, for instance?

A. No; I don't know the percentage of the total production. This exhibit was not based on the spindlage in the mill district; but I tried to select geographically located points so it would give a picture for the Southern Section of the different producing areas, and for the Northern Area.

Q. But if there is no production in the area that you have chosen, then it is meaningless, isn't it?

A. But there is a production there; there are large finishing plants in Kenmere and Rockford, Delaware, and Chester and Reading, in that section of the country.

Q. I am reading now by spindles in place and active, by date of April 1939, Bureau of Census, and I find that Pennsylvania is not even listed separately as a state, but that some ten or twelve or fourteen states are so listed.

A. Of course, you understand, this is an adjustment of rates on finished cotton piece goods, so that goods moving out of the finishing plants up there may not show in the spindle-plant reports, but they would be shipped out on these rates.

Q. But that is not a *computation* from which the South suffers, is it?

A. Yes, sir. As an illustration, we might use this example. If a finishing plant were located at Greenville,

South Carolina, and were competing with a finishing plant located at Chester, Pennsylvania, you would have this competitive situation.

Q. Do you know the percentage of the finishing that is done in the Southern Territory?

A. I believe that I gave you the number of plants located in the Southern Territory, but I don't know the capacity or the volume of those plants, but there are a smaller number of plants in the South than in the East.

Q. Mr. Kimberly, you made a statement regarding the lack of advantage of the South with respect to freight on raw cotton. Can you give us your basis for that statement?

A. Well, I pointed out that the greater production of cotton is in the territory from which the freight rates to Southern mills are higher than those by rail and water routes through New Orleans and Houston to the New England states and to the Eastern mill points.

Q. Rates per mile?

A. No. You see that Texas produces more cotton than all of the Southern Mill trade territory states combined, Texas, and Oklahoma, and Arkansas, and Mississippi, their rates to our mills, to the Southern mills are higher than the rail-and-water rates to the Eastern mills.

Q. Do you know what percentage of the cotton used in, say, the Carolina mills, comes from Texas?

A. No, I don't; but I know there is a very large movement of it; I know there is much more than a million bales annually, and I have seen figures showing more than that from the West of the Mississippi River.

Q. There is evidence in the record here that only 35 percent of the cotton used in the Carolina mills is from Texas. Would you dispute those statements?

A. No; I don't know without looking at the records.

Q. So, with respect to the remaining sixty-five percent of the cotton used in Carolina, they do have an advantage, do they not?

A. No, I wouldn't say that.

Q. Even those that come from the States of Carolina, Georgia, and Alabama and other cotton-producing states in the mill territory?

A. To make that comparison, we would have to use our railroad rates from Alabama and Georgia cotton-producing points to the Carolinas, and compare that with the rates from the Texas producing points to the New England mills.

Q. You would rather compare that with the rates from the cotton-producing states other than Texas, to New England, hadn't you?

A. It depends on where they get the cotton from. If New England has available Texas cotton at the low rates, why should they buy cotton from Alabama? I don't see why they should, myself.

Q. You have used on your Exhibit No. 8, New York as the chief consuming point of textiles, have you not?

A. Yes sir.

Q. Do you know the proportion of the production of the textile industry that is consumed in New York?

A. I don't know the percentage of the total; no. I think that I gave some figures showing an annual movement of some six hundred million pounds to the New York market. Textiles are used in hundreds of different kinds of commodities, of which they form a part.

Of course, the clothing industry is probably one of the principal ones which is in the New York district, or in the New York area.

Q. I am referring now to figures taken from the Bureau of the Census of Manufacturers, Bureau of Sales Figures.

A. Yes, sir.

Q. Would it surprise you to know that in the infants' and children's outer wear industry, there is consumed in the United States $82,000,000 and some hundred thousand dollars worth of products used in that industry, textile products, but that some $22,000,000 worth of those products are consumed in such states as Illinois, Indiana, Missouri, Texas, and other states?

A. I know that there are quite a good many underwear manufacturing plants——

Q. No; that is infants' and children's outer wear plants that I am referring to.

A. There are some of those plants in some of the other Northern states and also some in the Southern states.

Q. Now, since you spoke of underwear, I have figures on that too, in that period. The total number of establishments in the United States which make underwear from purchased fabrics,—in that group, we find the small figure of 50. Of those 50, 34 of the establishments are located in the States of Maryland, Pennsylvania, Indiana, Missouri, and the Southern States, the Southern States having nine. Those two alone indicate that there is considerable consumption in states other than New York, isn't there?

A. I didn't say, of course, that New York City is the only consuming point. I didn't make any statement of that kind at all. This particular exhibit uses New York as the most important single point, or one point in the textile consumption that is very important, taken in consideration of the whole industry.

Q. It is not the dominating point, though, is it?

A. Well, I don't know what you mean by that, but I believe that a lot of sales are made based on the New York price, and since that is done, New York may have a bearing in the price even if your underwear goes to Minneapolis, or to Indianapolis.

Q. Now, let's take another point.

In your own figures, you endeavor to show that the South suffers a disadvantage of some 29 percent in freight rates, is that right?

A. That is what I computed to be about an average disadvantage at the present time.

Q. Have you made any attempt to translate that disadvantage into a minimum wage differential?

A. No, I have not.

Q. Do you know what percentage, what percentage of the wholesale value of the textile products the freight rates is, that is, the transportation costs, what the percentage of the transportation cost is of the wholesale value of textile products?

A. No, I don't know. It possibly could be computed. It might be somewhat difficult. It might require lots of figures to do it, but it could be done by getting your freight bills and by showing the actual transportation charges paid and comparing that with your values. In that way, it would be possible to secure a percentage that you have mentioned.

Q. There is in the record evidence that the ratio of the transportation costs to the average wholesale value of textile products is 3.6 percent. Would you dispute that figure? Does it seem unreasonable to you?

A. I really wouldn't be qualified to express an opinion, because I don't know what kind of commodities you have considered in there in obtaining such a percentage figure. If you have the entire line of textile products, there might be a difference between cotton fabrics and rayon and hosiery, and so forth.

Q. This transportation memorandum was submitted to Industry Committee No. 1, and that was a figure given to them, and it was calculated upon the average wholesale value of all cotton textile products—cotton textile products. Now, taking that figure and assum-

ing that it is correct, if there is a 29-percent disadvantage to the South over the North, you would multiply the 29 percent by the 3.6 percent to find the amount of disadvantage that the Southern industry suffers, would you not, which, according to my figures, amounts to nine-tenths of one percent—if you follow me there, and if my calculation is correct?

A. Well, I don't quite follow you because I don't know exactly what you are driving at there.

Q. I am attempting to tabulate or arrive at the disadvantages that you say that the South suffers according to your figures, according to the transportation differential, as you call it, transposed into cents per pound at the minimum level wage rate of 32½ cents. Now, you have stated that the South suffers a disadvantage of 29 percent in the transportation cost. We have assumed that the transportation cost, the ratio of transportation cost to the wholesale value of textile products is 3.60 percent.

A. Well, that was just based on your assumption. I don't know whether it is correct or not.

Q. Now, isn't it a fact that those two figures, multiplied together is *3.9*, isn't that correct?

A. I see no reason at all to multiply these two figures. The wholesale price would have no bearing to the cost—as to what the transportation cost would be. What you are trying to find, I believe, is the relation of the transportation cost to the labor, and you would have to break it down first to get the labor cost.

Q. We will take the entire value of the product, not only the labor cost; we will consider it that way.

A. When you try to reflect a differential by relation to the whole value, you are using the cost of the mills, including everything in there.

Q. Very well, just take the ratio of the labor cost to the manufacturing cost that has been generally accepted

here as 36.6 percent, and I don't believe that that has been disputed seriously.

A. All right, then.

Q. All right, from that point on, could you help me in my computations?

A. I will do what I can, although I am not an expert accountant.

Q. I am not either, but I want you to tabulate the freight differential on your own figures into a differential with relation to the minimum wage. I have computed that there is nine-tenths of one percent taking the full value of the product, and if the labor cost is 36 percent of the value of the product, that is about one-third, roughly, and it would result in 2.9 percent, would it not, multiplying the nine-tenths of one percent there?

A. Is that figure percentage, or is it cents?

Q. We have multiplied the percentage disadvantage of the South by the wholesale value of the textile products, that ratio, and we have still here a percentage left. As you compute the nine-tenths of one percent of the wholesale value of the product, which is—well, excuse me just for a minute, I will have to get this straightened out myself. It takes an economist to work it out for me as well; it is a very difficult problem, I will admit.

A. It may be difficult, but it is one of the things that is supposed to be done.

Q. Now, take this nine-tenths of one percent—if you will bear with me, as the average expressed in the value of the product, the average advantage enjoyed by the North, according to your own figures, and then you multiply that by three on the basis of the labor cost which is 36 percent of the labor cost as it has been testified in this record, but here, we are taking it as 33 percent, and that will result in the figure of 2.9 per-

cent as being the advantage enjoyed by the North over the South, would it not?

A. Yes; if the figures are correct.

Q. If the figures are correct?

A. Yes, sir.

Q. That is the percentage. Now, taking the minimum wage under discussion here, of 32.5 cents an hour, and multiply it by 2.9, which is the disadvantage suffered by the South as a result of the freight differentials that you have pointed out, we come to a cents per pound figure of 0.8425 cent, which is subtracted from the 32.5 cents, leaves a possible differential justified by your own figures of less than—just a minute now—of just over eight-tenths of one cent, does it not?

A. Of course, all of these figures apparently include all textile products, whereas, I have shown the difference on the cotton textiles, and if you have gone into the higher value commodities, the percentage would vary, of course.

Q. I might point out to you that the 3.6 percent was taken as the transportation cost in the wholesale value of cotton textile products. We are still talking about the same thing?

A. Of course, those figures may be correct, based on those assumptions, but I want to call your attention to the fact that I have not made any attempt, and the purpose of this exhibit was not to attempt to tabulate the transportation cost difference exactly into the wage difference. It is possible that that could be done, but I understand that the transportation cost differences that may be found to exist are merely one element that should be considered in determining whether or not there should be a differential. I wouldn't say that that is the only element, but there are many other elements that should be considered.

Q. I agree with you on that, but so far as I know, no other attempt has been made to tabulate this freight

differential and make a comparison of it with reference to the labor cost or the minimum of 32½ cents. Wouldn't it be fair to state that all employees must be assumed to receive 32½ cents in this computation, as we have it, and if anybody received more, that the differential would be reduced proportionately?

A. I don't know, I don't know whether it would be reduced or not. It would depend on whether the higher employees would get a corresponding increase.

Q. If they did not get a commensurate increase, there would be cause to reduce this differential?

A. I am not yet entirely clear as to just what methods were used in figuring it, and I don't know how it would affect the higher brackets. As I understand it, it would affect only those getting 32½ cents or less.

Q. Of course, the average value as has been heretofore stated in this record, is 36.6 in the South and 44.6 in the North, showing that there are a number, that there are many employees receiving more than the minimum of 25 cents, and presumably would receive still more after the minimum of 32.5 is put into effect?

A. Well, let's assume that your figures are accurate. Still, I can't see that that means very much, because you would have to assume that the production of the Northern and the Southern employees were the same, and that they added the same amount of value in the cost of the goods that they work on.

Q. And this matter of efficiency is another issue, isn't it?

A. Yes, sir, but if the value is different that they add, if they add a greater value to the cloth or the yarn that they start working on, and that is different as between the two, then that fact must be considered also.

Q. I agree with you that there are other variables?

A. It is so complicated that I can't understand why you are trying to railroad it through, then.

Q. It is so complicated that there may be some advantage enjoyed by the South on raw materials and a possible differential enjoyed by transportation costs, that figure might also be decreased, might it not?

A. That is adding just one more assumption. We don't assume or agree that we do have any advantage on the raw materials. When you consider the cotton movement as a whole, you have no advantage there, and if you consider the supply parts and the starch and the indigo and the many other articles that we must have from the East in the manufacture of our textiles in the South, and the fact that we pay a higher rate than they do in the North for those things, I can't see that we have any advantage in our inbound supplies or materials that would by any means offset our outbound materials.

Mr. PITTS. I believe that's all.

Redirect examination by Mr. JOHANSON:

Q. Mr. Pitts, in questioning you, Mr. Kimberly said that he had not heard of any other attempt to make a comparison as to what the difference in the freight rate would make, or any computation of that. Perhaps he did not hear Mr. Tolles in Washington when he said that a ten percent difference would make 32½ hundredths of a cent difference in the wage level, and if your computation is correct, that will give you an entirely different figure than the figure expressed by him?

A. Yes, sir. It depends on whose assumption you may use.

Q. Your 29.4 figure used here is based only on the out-bound materials, and if you suffer a corresponding or a greater disadvantage on your in-bound materials, your figure may run well over a cent, may it not?

A. Yes, sir; all I can say is that it is just something that we have to calculate and compute. It is some-

thing that would take considerable time to work out. You can't figure it in just a few minutes. It would take a whole lot of computation.

Recross examination by Mr. PITTS:

Q. If your figure of 29 percent represents the disadvantage suffered by the South, it would only be applicable if all of the products of the South were sent to points where they have that disadvantage?

A. No; this is an average figure which includes points in the South where we have lower rates as well as points in the North where we have higher rates. I have computed it only from an average standpoint. I believe when you get to the actual application of it, I think that you would find a greater disadvantage because of the industrialization of the Northern cities, which would make them get a larger percentage of the movement than is reflected by the population figures, and another point is that many places that we go, we might consider it based on the New York price, and under those situations, we would have the New York differential, and we have a 50 cents a hundred disadvantage as to New York, and there are a lot of things that should be considered, but taking the 29.4, which is the lowest average, I don't believe that you could get below that, because that gives you every possible consideration in computing the average.

Q. Now, let's take this, for example, of course, to the extent that the Southern mills sell to Greensboro or Charlotte, or some such point as that, the differential would work to the competitive disadvantage of other Southern mills, wouldn't it?

A. Yes; it would be very complicated and time-consuming to try to work it out to each individual mill point and each individual destination, and all that we have attempted to do is to try to use some average, the main purpose being to show that there is some differ-

entials which, as we understand it, have not been taken into consideration.

By Mr. BORKEIN:

Q. One real question in regard to your Table A. You make comparison in Table A on finished cotton goods. I presume that you infer that finished cotton goods are sent from all of the points, both East and South?

A. Yes, sir; I have selected representative points, that is, distributed geographically in the Textile States.

Q. I presume that you assume that these points are points of manufacture of these finished cotton goods, is that correct?

A. They are manufacturers of the finished cotton goods direct from the yarn, or they finish the goods where the unfinished goods have been sent to these points, and they finish them and complete the manufacture of the goods and ship them out.

Q. Do you think a comparison of shipping points which consist of—which contain solely finishing plants with shipping points which contain solely gray goods plants is proper?

A. No, sir.

Q. May we then take these various cities that you have listed—we will take the State of Connecticut, the points that you listed on your Table A, for instance, the first one, Danielson—is any cotton cloth manufactured in Danielson, Connecticut?

A. I will say——

Q. Just a minute; please answer that question "yes" or "no."

A. I will say that I don't know as to cotton cloth in the original piece, but I will refer you to my Exhibit No. 11, on Page 1, and that gives you the names of the commodities taking the piece-goods rate, and any of

those commodities would be subject to the same rates, and while they may not make cloth, they may make mop-heads or wicking.

Q. Do you know of any cloth products that were made in Danielson?

A. I will state to you that this list was taken from Davidson's Textile Directory as indicating points of manufacture of cotton products. I didn't check as to each point the type of fabric made, but I tried to select these points geographically to include representative points in all of the states.

Q. May I call your attention to the fact that the directories list no cotton manufacture in Danielson, Connecticut?

A. Well, without having the directory right before me, I couldn't confirm your statement. It is possible that some of those points have one point listed as a mill point, and another as the rail shipping point. The railway station may be a different one from the mill point, and it might be a few miles out.

Q. All right, let's take the next one—the city of Grosvenordale; do you know if there are any mills located in that city?

A. Well, if there are no mills located in that place, it looks like that the New Haven Railroad has wasted a whole lot of money in publishing the rates that it has; it has published a special competitive rate to meet motortruck competition.

Q. What about Jewett City?

A. There is a big plant there.

Q. But it is a finishing plant, isn't that correct, and not a gray goods plant?

Yes; that is right; at Jewett City.

Q. I don't know whether you know or not, but the only gray goods plant there is the rayon plant?

A. If you say so, it might be so; I don't know, because I have never been there.

Q. For your information, I will state that it is Azlon Corporation. Are you acquainted with whether there are any gray goods or finishing plants in New Haven?

A. If I had known that you wanted that information, I would have brought the Textile Directory along with me and checked with you as you go along.

Q. Would you care to follow it with me? Would you care to follow it with me?

A. As I have stated to you before, I haven't personally been to those towns, and all I know is that they have rates published from those towns.

Q. Are you acquainted with—of course, you know that rates are frequently published for other textile products, are they not?

A. Yes.

Q. And this town might include a woolen or a worsted mill?

A. These rates that are published apply on cotton goods, or on related commodities. You realize that whether there are mills at those particular points, there are tariffs published on the same level, containing the same level of rates for all points in that vicinity, and any mill in that immediate territory would have the same rate. The product does not necessarily have to move from these identical towns that I have shown, but they might move from a point fifteen or twenty miles away and have the same rate.

Q. Did you not include each of these items in your averages for the Eastern mills?

A. Yes; that exhibit I did, because the rates I have listed for Connecticut and Massachusetts points range from 26 to 44 cents, and in this New Haven tariff, the lowest rate that they have is 26 cents and the highest is 44 from any of those points in that territory. You

wouldn't have to take those particular points that I have named, because no matter which points you select in that particular territory, you would get the same average.

Q. There is no shipping point here on the list that you include that has a 44-cent rate?

A. Yes; you will find Lowell there.

Q. No; I mean in Connecticut.

A. I didn't say Connecticut alone; I said Connecticut and Massachusetts.

Q. What is the range of rates in Connecticut?

A. It will take a good deal of looking through the tariffs and searching to give you all of that. I notice here the first Connecticut point is 35, and the next one is 31, and then another of 35, and another of 35, and we have a ——

Q. May I ask you this: By selecting shipping points which are actual shipping points, might you have possibly gotten a different average for the state?

A. Not materially different; no.

Q. But it might have been different?

A. Well, there might have been a slight variation, but that is the range of rates for the whole general territory. If it were within a radius of fifteen or twenty miles, they would more than likely have the same rate, but if it were thirty miles or more distant, then it might vary a little bit.

Mr. Kimberly, just to finish the state of Connecticut so that we can know about each one of these points, I think we were in New London. Do you know whether there are any grey goods mills in New London?

A. No, I don't know, but I think I can say again that this statement does not show grey goods rates. It shows finished goods rates.

Q. Are there any finishing goods plants in New London?

A. I really don't know now.

Q. Will you accept my information that there are not, there are none there?

A. Well, that still wouldn't show whether or not they might make some of the other commodities in that same textile rate list.

Q. What about New Milford, are there any grey goods mills there?

A. I don't know, and the same answer would apply, there is no grey goods rate shown on the statement.

Q. Let's see now, take your first state, the state of Alabama? Are any of the products manufactured in Anniston finished grey goods?

A. They ship finished goods, as well as grey goods from those mill points.

Q. I am asking you whether any finished grey goods are manufactured in Anniston?

A. What do you mean by the term "finished grey goods"? When it is finished, it takes the finished rate, finished goods rate.

Q. May I use your own expression, finished cotton fabrics?

A. Yes, they are manufactured.

Q. Which?

A. They are manufactured in the Anniston group, Anniston rate group points.

Q. I am asking you what type of finished cotton fabrics are manufactured in Anniston?

A. I can't answer all of those questions without having information showing exactly. Now, all of these points are cotton goods origin mill points published in the tariffs. I went through the tariffs and picked out points geographically located in various states.

Q. But you didn't find out whether they are actual shipping points or not?

A. It doesn't make any difference because the rates are the same from all points in the geographical areas. In other words, the Anniston rate is the same as from a point within a radius 40 or 50 miles from Anniston to New York. They are all 92 cents, practically the whole state of Alabama has a rate of 92 cents.

Q. If you have a basket of green apples, are you likely to get the impression that all apples are green?

A. I can't see the point.

Q. Just answer the question.

A. I don't know that it has any bearing.

Q. Would you care to answer that question?

A. I don't know whether I can or not. If it is important to answer it——

Q. Will you please do me the favor of answering that one question?

A. Well, I want to tell you this, that the rates are the same from the whole state, or the whole section of the state from which the representative points were selected. It makes no difference at all if the movement is from Anniston or from a point 50 miles from Anniston, it is a 92 cent rate.

Q. I am asking you a question; if you have a basket of apples, basket full of green apples, are you likely to gain the impression that all apples are green?

A. I don't see any relevancy at all to that.

Mr. TAYLOR. Mr. Administrator, I would like to inquire of counsel what is the relevancy of that question.

Mr. BORKEIN. I shall not insist on an answer to that question.

Q. Mr. Kimberly, are any cotton products manufactured, either grey or finished, in the City of Birmingham?

A. In Avondale, Alabama, which is a suburb of Birmingham, in the Birmingham District, and takes the Birmingham rate, there is a large movement.

Q. What do they manufacture there?

A. They manufacture various kinds of piece goods, and unfinished goods. I know they manufacture cotton fabrics in the original piece.

Q. Mr. Kimberly, what about the City of Opelika?

A. What about it?

Q. What do they manufacture in that City?

A. If you want me to, I can get a copy of a textile directory and file it for your information.

Q. May I inform you that the products of the two mills there are sheetings, ducks, drills? Could you tell me whether those are finished or grey goods?

A. Well, yes, the sheetings could be either finished or grey, depending on the state in which it is shipped. The duck is usually considered finished goods.

Q. I can inform you they don't finish goods in that mill.

A. They ship finished goods?

Q. No; they are grey goods rather than finished goods.

May I simply ask you one more city, so as not to continue it, but just to illustrate the general conclusion? In the City of Opp, town of Opp, what do they manufacture there?

A. I believe it is cotton sheeting.

Q. Are they manufactured as grey goods or finished goods?

A. I believe they are shipped from there as grey goods.

Q. In your former testimony on cross-examination you indicated it was unfair to compare shipping points, cities which are shipping points primarily for grey goods with shipping points which are primarily finishing-goods points?

A. I didn't say that. All I said was this; I said that it would not be fair to make a comparison of grey goods

mills on one hand with finishing plants on the other, if that was the only comparison you had. What I have done here is not that at all. I have gone through the tariffs publishing rates on both finished and unfinished goods and picked mill points geographically located in every section of every textile-producing state. The rate from Anniston would be the same as from points in a radius of nearly the whole state of Alabama which takes the same rate, so no matter whether you use Anniston or Pell City or some point near there, you would get the same rate.

Q. May I refresh our questions and answers, and indicate that at the mills in Connecticut we concluded a great many of them were primarily finishing points, and most of the mill cities listed for Alabama were grey goods mills? Do you still think it would be a fair comparison?

A. Yes, the comparison is fair, because it is a correct picture of the entire geographical rate situation from the entire state of Alabama with the entire state of Connecticut.

Q. But we did conclude from our comparison, did we not, that most of the centers in Connecticut were finishing points?

A. Yes, they make more finished goods than unfinished goods in Connecticut, I agree with you there.

Administrator ANDREWS. Are there any other questions?

(Witness excused.)

CROSS EXAMINATION OF P. H. JOHANSEN.

By Mr. Harrington:

Q. Mr. Johansen, on Exhibit 17, in your showing of rates from New England to points such as Chicago, you show a rate of 91 cents?

A. Yes, sir.

Q. Is that rate applying all the year?

A. No, sir, it does not, it does not apply when the lake is frozen over. These are the lowest rates on file with the Interstate Commerce Commission or the Maritime Commission.

Q. But they do not apply the full year?

A. No, sir.

Q. A shipper at Lewiston would have to pay a higher rate than 91 cents during the winter season?

A. That is correct. You will find, Mr. Harrington, I believe, that Mr. Kimberly has made some all-rail comparisons which you can use.

Q. In your statement of first class rates in the North and in the South, particularly your Exhibit No. 21, you say the Southern rate for five miles is 20 cents?

A. That is right.

Q. And the New England rate is 20 cents?

A. That is right.

Q. Will you please tell me what New England rate that is?

A. I don't get your question, I don't believe, Mr. Harrington. If any cotton piece goods move 5 miles, the rate would be 20 cents, if there are no commodity rates published.

Q. In any part of New England? Isn't New England divided into different rate territories?

A. New England is divided into Zone A, and Zone B. You are correct, if it is a 5 mile haul in New England, the rate is approximately 5 cents higher.

Q. I just asked you that question now.

A. Just to keep the record straight, if we go to Florida, it is considerably higher than that, if we go South, for instance. There are minor variations in the territory.

Q. I asked what New England rate that is. Is it the Appendix E rate?

A. Appendix E scale, yes, sir.

Q. Appendix E rate doesn't apply for intraterritorial application in New England, does it?

A. No, sir. When you get 35 miles, you have 26 cents as the commodity rate in New England, that displaces all the class rates.

Q. Your comparison of intraterritorial first class rates in the North and the South, looking particularly at the question of textiles, the first class rate showing here does not really portray the picture of the textiles, does it?

A. No, Mr. Harrington, this is in connection with the inbound rates. The differences in the intra-territorial class rates as they apply on textiles is shown on previous exhibits.

Q. You spoke of the classification basis being the same on many commodities. Is it a fact on many commodities you have a lower percentage of first class than they have in the North?

A. I couldn't find it so, no, sir.

Q. What about your textiles?

A. We are talking about inbound rates now.

Q. On the general commodity?

A. On the outbound rates, 50 per cent, with a constructive scale from North Carolina something higher than the actual first class going rate. That gives a rate approximately 10 per cent higher than the rates in Official Territory.

Q. You spoke of a movement, or at least you spoke of rates below the class rate level from New England to Wilmington, Delaware?

A. Yes, sir.

Q. Wilmington, Delaware, is a finishing point, isn't it?

A. It may be.

Q. So that the movement from New England would be on the grey goods there?

A. It might be. The rate, however, is not so restricted, it applies on the cotton piece goods in the original piece.

Q. Within the South, haven't you a large number of rates on grey goods to finishing plants?

A. In the nature of proportional rates, yes, sir.

Q. In the nature of proportional rates?

A. Yes, sir.

Q. There is no such application of rates in the North that you know of, is there, proportional rates?

A. Not so far as I know, no, sir, not specifically restricted to be proportional, either proportional or local.

Mr. Harrington:

That is all.

Administrator Andrews:

Are there any other questions?

(Witness excused.)

Administrator Andrews:

I think we will probably have to continue tomorrow anyhow.

Mr. Taylor:

I am afraid we will Mr. Andrews. I have done my best to finish today by perhaps running late, but it looks like we will have at least two hours more.

TESTIMONY OF MR. P. H. JOHANSEN—(2135)

The witness, after stating that he lived in Washington, D. C., testified as follows:
(2136)

By way of qualification, I have been engaged in freight rate work for the past 13 years. One year of that experience was as Chief, Transportation Audit Division for the Federal Surplus Relief Corporation, and 6 years have been spent exclusively working with the (2137) rates to and from the textile mills. . . . (2139)

On this map Official Territory, has been colored in green; Southern Territory in orange; and Western Territory has been left its natural color, white. Before we leave this map, there are some facts that should be brought out that will be of interest in later discussion here. In that territory colored green on the map live, in round numbers, 51 per cent of the population of the U. S., and there is produced 72 per cent of the nation's manufactures. Southern Territory has 17% of the population, 8 per cent of the manufactures; . . . (2141)

. . . origins used in this study, Danielson, Connecticut, Lewiston, Maine, New Bedford, Massachusetts, Manchester, New Hampshire, Utica, New York, and Providence, Rhode Island, in the north, and Huntsville, Alabama, Columbus, Georgia, Gastonia, North Carolina, Spartanburg, South Carolina, Knoxville, Tennessee, and Danville, Virginia, in the south. . . .

A fair picture of the rates will, therefore, be provided by using cities in the United States with a population of 100,000 or more persons. . . . (2142)

. . . The average rate from New England to all points, however, is 100.90 cents and the average rate from the South is 114.06 cents, or a disadvantage of 13.04 per cent against the Southern Mills.

I would like to remark here that is a simple mathematical average. Later I believe I can show the disadvantage is much greater than that. . . . (2143)

It will be noted that the population where New England has an advantage totals 28,764,925, and the points where Southern mills have an advantage totals 7,560,811. The pic-

ture is more complete, however, when we examine the extent of that advantage for each in relation to the population that it reaches. For example, more than 15,000,000. people are reached by New England mills at a rate advantage of more than 20 cents per hundred pounds. Slightly over 2,000,000 people are reached by the Southern mills with equal advantage. This being true, then the real rate disadvantage of the (2144) Southern mills would be more accurately stated if the average rates from each section were weighted in proportion to the population of the destination. . . .

. . . The total and average figures show that the cost of delivering 100 pounds of finished piece goods to every 1,000 people in the 93 largest cities of the United States is $30,806.33, when from New England; $37,875.55 when from the South, or average rates per hundred pounds per 1,000 of population of 84.81 cents when from New England; 104.27 cents when from the South. This is a difference of 19.46 cents per hundred pounds, or a disadvantage of 22.9 per cent against the Southern mills. . . .

TESTIMONY OF RAY JENNINGS (T. 2657)

The witness, a resident of Taylorsville, North Carolina, stated that he was Mayor of Taylorsville. He testified on cross-examination as follows:

This brings us up to the prsent date and to our present conditions. Two months ago one of our mills closed. It was a 7,000 spindle mill making carded knitting yarn and owned and operated by an independently wealthy ma who was my predecessor as Mayor of Taylorsville. This mill was sold to a junk man. The owner made this decision in view of the impending wage increase, which would make it impossible for him to operate on a break even basis. He sold the mill to the junk man because he was the only available purchaser, and I know of my own personal knowledge that he sold the mill for less than one-half the price he paid for it. The junk man it at the present time dismantling this mill and disposing of it in pieces.

We have three other mills 5000; 6000; and 8000 spindles and two small hosiery mills with 60 and 43 circular knitting machines. This goes to make up the total of our industry. None of our mills are in danger of going broke, but I do believe that there is a very real danger that each of these mills will be sold to the junk man if the new wage schedule goes into effect.

Cross-examination by Mr. PITTS:

Q. Could you tell me what date that the mill closed, that you spoke of?

A. This particular mill? I believe it was on the 18th of May, the 18th of May, the day it was sold.

Q. It had been closed sometime before it was sold?

A. No, no; the man ran what goods he had on hand, ran those out, closed it out, and sold it to a junk man who deals in junk. He is at the present time disposing of that mill by pieces. The town authorities and the county officials of my county have offered any man ten years taxes free who wishes to come in there and put something in there to give these people employment who have been put out of work.

Mr. McKELVY. That is all, Mr. Jennings.

(Witness excused.)

TESTIMONY OF MR. J. E. SIRRINE—(2157)

The witness, after stating that he was a graduate of Furman University and was a resident of Greenville, S. C., testified as follows: . . .

I am a graduate of Furman University. For the (2158) first five years after my graduation, I worked in general engineering work. In 1895, I went with Lockwood, Green & Company, textile engineers, of Boston, Massachusetts, and stayed with them until 1902, at which time I went in business for myself, and have been engaged in the practice of industrial engineering, principally textiles, since that time.

I am senior partner and executive head of J. E. Sirrine & Company, Industrial Engineers. . . .

Q. Mr. Sirrine, in addition to your knowledge of the group of mills with which you are actively associated, and others with which you have been associated in a professional capacity, do you have general knowledge of the conditions in the textile industry in this area?

A. Yes sir, our work covers the whole South, and we have a great many clients scattered over the entire area, as well as a few in the North. . . .(2160)

Q. Mr. Sirrine, this wage increase, if adopted, upon the particular mills, some of which have been classified as marginal mills, is it your opinion that the application of the minimum would result in a further process of weeding out employees on the part of practically all mills?

A. I think that that is the inescapable conclusion.

Q. Why would this be done?

A. At the present time, the large majority of the mills operating, both North and South are having a difficult time to make ends meet. Practically none of them that are operating on plain goods are making any money, and some of them are losing money. It would be essential, therefore, under the present conditions, that they reduce their costs if they are going to stay in business.

Q. Now, Mr. Sirrine, with reference to this general overhead weeding out process that you feel would result, I wonder if you have an opinion as to the percentage of employees, some approximation, who might or probably would be thus displaced? . . . (2161)

A. That will have to be a matter of pure opinion, Mr. Taylor, but my guess is it will be somewhere between ten thousand people and twenty thousand. . . .

A. Those who are now engaged in unskilled work like scrubbers, sweepers or yard-hands, and people who are not classed as machine tenders. There will also be some tightening up on those who are machine tenders, but I think the first effect will be on what might be classed as common labor.

. . . .

A. Yes, I think that unquestionably wherever it is possible to secure more work from a different employee, that those who are incapable of carrying on a full day's work will have to be let go. . . . (2163)

A. It will be most keenly felt by the small mills who are engaged in the manufacture of plain goods, such as sheetings, print cloths, drills, osnaburgs, and other fabrics of that character, but particularly with the small mills because they cannot secure the effective, same effective production in some of their departments that the larger mills can. . . . .

A. Undoubtedly the blow will fall on them more heavily than it will on the mills whose costs are lower, and by reason of the better equipment or larger size are in a better competitive position. . . . .

A. I think some of them undoubtedly will be forced to close. Just how many I don't think anybody can say with any degree of accuracy. . . . (2164)

A. No, sir, I think the textile industry has already all of the employees they can handle. Few of them would be able to migrate, even if there were jobs available elsewhere,

but since this need for employees is going to be reduced almost universally, I think they will have to find other occupations, if they can. . . .

Q. Mr. Sirrine, is the modernization of old mills an expensive process?

A. Yes, it is.

In some case it is very expensive. It depends both upon the degree of modernization an dthe character (2166) of the equipment that they now have. Complete modernization is a tremendously expensive thing. . . . (2168)

Q. Mr. Sirrine, I have referred to Dr. Tolles' estimate that the wage increase in the South would amount to 6.25 per cent. Without particular reference to Dr. Tolles' figures, but based on any other data that you might have as a basis for your opinion, I wonder if you could tell us how much in dollars and cents this proposed increase woud increase the wage bill in the South?

A. As I have stated before, Mr. Taylor, it would be an opinion and not an estimate ebased on accurate data. But in my opinion it would be somewhere between fifteen millions and twenty millions; that is assuming that the same number of people were employed.

However, I think that is very unlikely to be the case, and I think that the probability is that with the reduction in employment, the immediate effect would be perhaps no wage increase. (2169)

Q. Would the costs attributable to this increase be proportionate in the case of the Northern sector of the industry?

A. No, for two reasons. Their average rate is higher, their minimum rate is probably higher, and they would be less affected by it because of the fact that they do not now make the plain goods, which call for a larger percentage of unskilled workers, whose pay is of course lower than the highly skilled workers.

You may remember, if you read Bulletin 663, that that was pointed out by Mr. Hinrichs in the statement in which he said the apparent difference between the wages North and South was partly due to the difference in the type of work, rather than being entirely due to difference in pay on comparable work. . . . . (2171)

Q. Mr. Sirrine, apart from the situation as to freight rates, is it a fact i nyour opinion that the Northern sector of the industry, nevertheless, enjoys a substantial competitive advantage due to its proximity to the principal market?

A. On the class of goods that they manufacture, undoubtedly they do. That might not be true of the print cloths and sheeting, but they don't now manufacture those goods.

On the fancy dress goods and other things which are highly styled, their close proximity to the market does give them an advantage, both in their ability to keep closely in touch with it, and the shorter time required to make deliveries.

Q. Mr. Sirrine, I wonder if you feel that Industry Committee No. 1 erred i nnot recommending a wage differential as between the North and South?

A. Well, it depends on the purpose of the law. If the purpose of the law had been to equalize costs between the North and South, no.

If the purpose of the law was to secure approximately the same standard of living between the North and the various sections, then I think there should be a differential. That would be based on the difference in cost of living, needs and requirements for the same standard of living in the various sections of the country. . . . . (2174)

Q. Then, would the matter of supervision, such as superintendents and overseers, the matter of traveling and selling expenses, would those items be higher in the small mills than in the larger mills, per thousand spindles?

A. Practically all of the overhead items would be higher. . . . . (2176)

Q. You have mentioned that there would be a reduction of employment particularly with respect to employees who are sweepers, and other employees, and so on?

A. Scrubbers.

Q. Scrubbers. In the event the 32½ cent minimum is established, who will perform those functions?

A. They will go unperformed to a large extent. We are now being called upon by several of our clients to devise a way whereby they won't have to scrub their floors, and we are trying an experiment along that line, and I think (2177) that it will be successful, and that they won't have to scrub the floors. . . . (2178)

Q. There will still be a difference in the wage scale, will there not, between the North and the South?

A. Probably some, yes, but the difference in the wage scale will be more largely on account of the character of work, than wage scale on comparable work. . . . (2179)

Q. There is very little direct competition in the cotton goods line, then?

A. No sir, very little, the competition that the cotton goods is suffering now is mostly cotton goods from Japan in the fine lines, and paper and jute in the coarse lines. . . . (2190)

Q. I believe you said that one of the reasons that wages in the North are higher than wages in the South is relatively higher efficiency of the employees?

A. No, I never said that.

Q. Could I have your statement again, then, sir?

A. Well, I have two clients whose mills are located about ten miles apart. They have the same number of looms, one makes a very highly styled line of dress goods, and employs about 120 weavers on his shift, and the other employs about 20 weavers on a shift, the same number of looms, particularly and entirely because it is a different type of work. Now, not only does the mill making the fine goods require a greater number of highly skilled employees, but they must be more highly skilled. It takes a long time to train a weaver on an automatic box loom as against a plain two-harness Draper loom, and the difference lies not only in the number of employees in the higher brackets, (2191) but also in the character of skill required in people who are in the same general classification. . . . (2195)

Q. Mr. Sirrine, a program of controlling production has what effect on employment?

A. Of course it tends to reduce it for the time that your curtailment persists. But this is true, Mr. Borkein, you cannot continuously employ people to make more units than you can sell. You may do it to a high degree at one time, and then you have got to cut down.

A rational scheme of control would tend to level it out, and not only to stabilize employment, but to render it to a very high degree much more satisfactory to the man who receives it. . . . (2199)

ADMINISTRATOR ANDREWS: Mr. Sirrine, it has been very interesting that the negro problem has not been raised. I understand, of course, that there is a strict prohi-

bition in the Act that any consideration be given to race, but still it is something which interests me.

Do you think that there might be a tendency for the negro workers, such as outside workers, sweepers, and that class of labor, to be replaced by white workers in the mills, not because of any prejudice, but because of the custom to pay white workers more than negro workers?

THE WITNESS: I think that is likely to occur. You are going to run into a psychological difficulty when you begin to pay a scrubber or sweeper the same price that you pay white machine tenders, and there is going to be a certain amount of resentment about it, and I think in order to avoid that psychological problem, many mills are going to try to do away with their scrubbers, and replace their colored sweepers with white sweepers. Many of them have already done it.

There won't be quite the same problem with respect to the yard hands, because they don't come in contact with each other, but that is likely to happen to some extent there. There will be some mechanization of the (2200) work which the yard hands are required to do now, particularly in the upkeep of village streets, and things of that sort. I do think that unquestionably there will be some replacement of colored workers by white workers to avoid having a psychological resentment. . . .

Q. Mr. Sirrine, Mr. Borkein spoke about the RFC loan in connection with this modernization program. Is it a fact in your opinion that the ability of those mills needing to modernize, to borrow money, is likely to be in inverse proportion to their need, I mean by that is it likely that the mills that most need additional capital funds are probably least likely in a position to be able to borrow?

A. Yes, I think that is true, because the RFC has been run on a business basis. They have endeavored not to make any loans that they cannot collect. Of course the further down the hill a mill has gone, and the more money it takes to bring it back up, the less their security will be.

I know of more than one case where mills have made applications for loans from the RFC and have been granted an amount that was not as much as they had asked (2201) for in some cases, and they have proven to be insufficient. I know of one instance now where a mill used some funds borrowed from the RFC to make some machinery changes, and they now find themselves without any working capital, and have not been able to start the plant up. . . .

TESTIMONY OF J. E. SIRRINE (T. 2175)

The witness, a resident of Greenville, South Carolina, stated that he was senior partner and executive head of J. E. Sirrine & Company, Industrial Engineers. He testified on cross-examination as follows:

Cross-examination by Mr. PITTS:

Q. Mr. Sirrine, you made an estimate of the curtailment of employment in the neighborhood of ten to twenty thousand, I believe?

A. Yes, sir.

Q. If the 32½ cent minimum were established?

A. That is correct.

Q. On what basis did you reach that estimate, sir?

A. Just on my general knowledge of conditions in the mills, studies that we had made in one or two individual cases, and the application of that information to the industry as a whole.

Q. Is that going to result from the complete curtailment of employment in some of the mills?

A. In some of the mills, yes, but others, in the majority of them, it will be a reduction of employment and the mill will continue to run.

Q. Do you know of a single mill that will definitely go out of business on account of the establishment of this minimum 32½ cent wage?

A. I couldn't say that I do right now; that is a thing that only can be decided by the management of the mill. I know some that will attempt to run, and if the market conditions do not change, they will have to stop, and I know one or two that have already stopped, and I think without question there will be more.

Q. You have mentioned that there would be a reduction of employment particularly with respect to employees who are sweepers, and other employees, and so on?

A. Scrubbers.

Q. Scrubbers. In the event the 32½ cent minimum is established, who will perform those functions?

A. They will go unperformed to a large extent. We are now being called upon by several of our clients to devise a way whereby they won't have to scrub their

Q. Is the proportion of such novelty yarn production and mixed cloth construction production increasing in the South?

A. Yes.

Q. Are such cloths being produced in the North?

A. Yes.

Q. Are wages, on the production in the mills producing such cloths, lower in the South than in the North?

A. Well, it depends now on—I think they are slightly lower, but it depends a good deal on what types of cloth you are talking about. There are a good many types of mixture fiber cloths. Some of them are very complicated, and there is a very high degree of skill required both in the manufacture of the yarn and the cloth. Some are almost like print cloths, in that they are simple constructions, and in those cases I think the wages in the South are lower.

Q. Have you observed whether there has been a tendency to increase the proportion of goods being produced by Southern manufacturers in these simpler types of rayon cloth constructions?

A. There are a good many looms that have gone from print cloths over to spun rayons, or spun rayon mixtures.

Q. Has the South had the advantage or have Southern mills had the advantage in Southern competition with respect to the sale of these cloths?

A. Those simpler cloths; yes. I think they have been able to make them cheaper.

Q. Have any Northern mills either purchased plants or moved to the South; mills producing such cloths moved from the North to the South, or purchased mills in the South or constructed mills in the South?

A. Not recently.

Q. Do you know of the mill in Virginia constructed by the Duplan Silk Company?

A. That is silk.

Q. I beg your pardon, it is a misnomer; it is a rayon plant.

A. Yes. Well, I am not familiar with that particular plant.

Q. Are you acquainted with the fact that many rayon mills in the North complain of competition; mills producing the simpler types of rayon cloth construction, are complaining of competition from Southern producers of these constructions?

A. I am not familiar with that, but I have no doubt it is a fact.

Q. Mr. Sirrine, would you say that during the height of activity during March of 1937 that many mills were brought into operation which had been idle for some time?

A. A few. There were not a great many.

Q. Would you say that there was a sizable proportion of equipment, in terms of spindleage, which was work which the yard hands are required to do now, particularly in the upkeep of village streets, and things of that sort. I do think that unquestionably there will be some replacement of colored workers by white workers to avoid having a psychological resentment.

Administrator ANDREWS: Are there any other questions?

Redirect examination.

floors, and we are trying an experiment along that line, and I think that it will be successful, and that they won't have to scrub the floors.

Q. That is a type of technological change, is it?

A. Yes sir. That is a type of technological change that is necessitated by the increase in cost.

Q. That technological change in the industry is a constant thing, is it not?

A. Constant and stimulated in this particular case by a change in the wage conditions.

Q. Can you estimate on the same basis that you have estimated the reduction of employment in the neighborhood of ten to twenty thousand people in regard to the 32½ cent minimum—can you make an estimate of the amount of unemployment that the 30 cent minimum would cause?

A. I would have to go through the same process that we did before with reference to the 32½ cent minimum estimate that I made, and I think, without making any definite statement on it, that the 30 cent minimum will cause some too.

Q. What proportion of that ten to twenty thousand would you estimate would be caused by the establishment of a 30 cent minimum wage in the textile industry?

A. I don't believe that I have sufficient information to answer that question properly, unless you are willing to take just a pure hazard of a guess on it.

Q. Well, you have ventured a hazard with regard to the 32½ cent minimum, have you not?

A. No sir, not entirely, because that is based on some investigation, and this other estimate that you are asking me for would have to be based on some degree of investigation in order for it to have some form of accuracy. I don't claim that either are very accurate, but I think that the 30 cent minimum would result in

just about one-half the amount of that reduction, if you want an opinion.

Q. You have alluded to the fact that a 32½ cent minimum, if established, will create a competitive advantage to the North?

A. I said very slight.

Q. There will still be a difference in the wage scale, will there not, between the North and South?

A. Probably some, yes, but the difference in the wage scale will be more largely on account of the character of work, than wage scales on comparable work.

Q. You don't believe that there will be a differential in comparable work between the North and the South?

A. Some, but very little.

Q. Is that because there is very little comparable work?

A. There is a right substantial amount.

Q. What kind of work?

A. Dress goods and rayon, all mixtures of spun rayon, you might say, and wool mixtures, and different types of rayons, acetates and cellulose rayon.

Q. There is very little direct competition in the cotton goods line, then?

A. No sir, very little; the competition that the cotton goods is suffering now is mostly cotton goods from Japan in the fine lines, and paper and jute in the coarse lines.

Q. There have been many statements made that the cotton industry is a sick industry?

A. Yes, sir; that is correct.

Q. You have stated in part, that that is due to foreign competition, is that correct?

A. Yes, sir; in part that is true, and also due to the substitution of other products, paper, for instance, in the bag trade.

Q. What other things?

A. Importation of jute has increased in the last several years very heavily.

Q. There are no other factors that result in that except the substitution of products for cotton, and the foreign competition, is that correct, is that your statement?

A. There is the competition that results because of there being a smaller market for the products of the existing mills, and the shrinkage in the cotton textile industry has been going on for twelve years.

Q. There is no overproduction in the cotton industry, is there?

A. Yes sir, there is an overproduction in the cotton industry.

Q. And that is a contributing cause to the sickness, is it?

A. Yes, sir; and the over-production is caused by the market that has had so much competition in these other lines. There is today a large surplus in our line that will have to be absorbed before we get a proper market.

Q. Are you chairman of the curtailment program of the cotton print cloths in the South?

A. Yes.

Q. What is that committee?

A. What do you mean?

Q. Of what is it composed, and what association is it affiliated with, if any?

A. None. It was formed and appointed at a meeting of a group of print cloth producers. It consists of myself as chairman and Mr. Sims of the union—Buffalo Mills and Mr. D. W. Anderson of the Monarch Mills, W. E. McKinney of the Arnall Manufacturing Company and J. E. Harris of the Greenwood Cotton Mills.

Q. And what is the purpose of that committee?

A. The purpose of that committee was to reduce production in the industry for the next three months to

the points that we hoped to be able to sell the stock of goods that we had on hand, and somewhat stabilize the price.

Q. You expect to control that production, and by the reduction of——

A. 25 per cent curtailment.

Q. And that in itself will cause curtailment of employment?

A. It will not cause curtailment of employment in the sense that anybody will be actually replaced, but it will cause curtailment in the continuity of the employment for the next three months.

Q. That is desirable?

A. It is essential.

Mr. PITTS. That is all.

By Mr. BORKEIN:

Q. Mr. Sirrine, to follow up the question that Mr. Pitts has just asked, how many hours per week will employees be able to work in a print mill under this present curtailment program?

A. Thirty hours.

Q. And his regular work week consists of how many hours?

A. Forty.

Q. Is any provision being made to maintain the same full-time weekly earnings for the employees on the thirty-hour week, the same as on the forty-hour week?

A. No.

Q. The employees will lose 25 percent of their weekly income under this program?

A. Yes.

Q. Mr. Sirrine, have any significant technological changes taken place since 1935?

A. There have been constant evolutionary changes; there have been no drastic revolutionary processes in-

troduced, but there have been the gradual evolutions in the use of long draft equipment in both spinning and roving.

Q. Long draft equipment on both spinning and roving has been very widely applied in the last two or three years, has it not?

A. Not as widely as it should have been.

Q. How many mills do you estimate have introduced long draft roving and spinning in the last two years?

A. I wouldn't have any accurate information on that.

Q. Would you say more than 100 mills?

A. I don't think there would be that many.

Q. Would you say 50 mills?

A. I think there would be all of that many.

Q. Are other changes being introduced by the cotton textile mills during the last few years, let's say since 1935?

A. It is constantly going on, it is an evolutionary process and it has been going on ever since the industry was born.

Q. Would you say as competition in the industry becomes more intense, that the number of mills which change or modernize their equipment, to use the current phrase, increases?

A. All of them will try to do that that can, and have the money. Some that haven't the money will have to fold up.

Q. Would you say that the range of variation in cost decreases as the intensity of competition increases?

A. I don't understand your question.

Q. I mean that the variation in unit cost of production among mills is likely to decrease as the competition for the market increases, that is, for example, if the market becomes smaller in proportion to the capacity of the industry, I am asking you is there likely to be a tendency, I am asking you if there is likely to be a trend

for the tendency of the—for the range of costs among mills to decrease?

A. Every mill that suffers from a competitive condition will try to relieve that condition insofar as it can, and the more highly competitive the market, the more necessary that becomes.

Q. Has the market become more intensely competitive in the last few years?

A. It has become competitive to the extent that none of them can make a cent out of it today.

Q. Would you say that part of the cause of the present price levels in the cotton textile industry is this intense competitive situation?

A. Well, that is most always the case, whether the competitive situation be created by outside sources or internal competition.

Q. Which factors in the industry, which seller in the industry is likely to determine the selling prices in the current market?

A. Strange to say, in the last few years, it has been the high cost fellow.

Q. Would it be the man that offers goods at the lowest current price?

A. He gets the business, of course, but——

Q. Mr. Sirrine, you made, Mr. Kelvy, asked you certain information concerning small mills and the relatively high cost of certain elements in their operation. Could you tell me whether there are any elements in this cost which are likely to be lower than larger mills?

A. Than in larger mills?

Q. Than in larger mills?

A. I don't think so.

Q. What about salaries?

A. We are speaking now in proportion to the number of spindles, that would be lower in total, yes, but there would be no particular reason why that should be—no

particular reason why that should be lower per thousand spindles.

Q. What you are saying, then, is if a man is spending $200, let's say $2,000 a year on the salary of the superintendent, that is, you divide that into a mill of ten thousand spindles, it is likely to cost more per spindle than in a mill that was paying $5,000 for superintendence and spreading that over 100,000 spindles?

A. Yes, that is what I mean, the larger the unit the cheaper your supervision per unit.

Q. I believe you are rather intimately acquainted with a great many of the smaller mills in the industry. Could you tell me whether the owners or superintendents of those mills, of some of those mills, or many of those mills—I would like to have that information—occupy themselves full-time in the operation of those mills?

A. In some cases, they do, and in some cases, they do not.

Q. There are many mill owners who do not devote themselves exclusively to these mills?

A. Well, some of them have other occupations.

Q. Could you tell me what those occupations are?

A. Well, they vary a great deal; sometimes a man may be a banker in a small town and also treasurer or chief executive officer in a mill, and sometimes he may be a merchant and sometimes he may have one or more units. It varies with each different locality. You can't set down any general rule for it.

Q. Mr. Sirrine, you indicated that persons who might be displaced by that, by the proposed minimum wage, would find little employment in other industries?

A. Oh, yes, in other industries, but the other industries are having the same difficulty.

Q. I believe that you stated in your connection, that your connections permit you to review the industrial development of the South during recent years?

A. Yes, sir.

Q. Could you tell me of your own knowledge whether any large new industries have developed in recent years in the South?

A. Yes, sir; paper has.

Q. Have any other industries?

A. There are some others, yes.

Q. Such as what?

A. Well, the sewing industry has made some strides.

Q. Any other industries?

A. A great many small ones that I don't just happen to recall at the moment.

Q. Would you include chemical industries?

A. Yes, sir.

Q. And they furnish employment, do they not?

A. Yes, but not to that extent.

Q. Mr. Sirrine, you made mention of the fact that, on your belief, that business conditions generally affect the activity and the income of cotton textile mills?

A. Yes, sir.

Q. Do you believe that the total income of the working population of this country is one factor in determining the general level of business activity?

A. Now, you are getting on a subject on which I might dilate at length, and one is, what puts people back to work in units and not dollar value, and what gives the purchasing power is what the wage will be in terms of units, and not dollar value.

Q. You made mention of the fact, in your belief, that wages improve with market conditions?

A. Yes, sir.

Q. Could you tell me, describe without—in a few words, if possible, the market conditions in the years 1923 to 1927?

A. Well, 1923 was a very good year in the textile business, and pretty good in general lines; 1925 and 1926

were not so good in the textile industry, and '28 and '29 not so very good in the other lines, and very poor in textiles.

Q. Can you recall in the South that some of the years 1923 to 1926, which of those years were years of very good conditions—could you tell me whether the wages in the cotton textile industry described or increased in those years?

A. In those years—I have forgotten your name——

Q. Borkein.

A. Well, I haven't the figures before me right now.

Q. The Bureau of Labor Statistics reports, for your information, I will state this, that between the years 1924 and 1926, that the average income in '24 was 37.2 as to 32.8 in 1926, and '24 and '25 were not good years in the textile industry, and during the two years that you indicate that were relatively bad, '26 and '27, that the wages did not decline in the industry relatively, that they were 32.8 in 1926 and 32.6 in 1928, practically no change. Have you any comment on that?

A. No.

Q. Mr. Sirrine, you indicate that there was relatively little competition between the Northern mills and the Southern mills?

A. I didn't say that. I said that there was a substantial competition in some lines.

Q. And those lines are which?

A. The finer goods.

Q. We will restrict ourselves in a moment to cotton textiles. There are mills in the South that produce those fine goods?

A. Yes sir.

Q. And another source of competition is combed yarns?

A. Yes, sir; that would be classed as fine goods.

Q. There are combed yarn mills in the South?

A. A great many.

Q. I believe you said that one of the reasons that wages in the North are higher than wages in the South is relatively higher efficiency of the employees?

A. No, I never said that.

Q. Could I have your statement again, then, sir?

A. I said it was a difference in the class of work required of them.

Q. What do you mean by that?

A. I mean this—that for instance—may I use a case illustration?

Q. Yes.

A. Well, I have two clients whose mills are located about ten miles apart. They have the same number of looms, one makes a very highly styled line of dress goods, and employs about 120 weavers on his shift, and the other employs about 20 weavers on a shift, the same number of looms, particularly and entirely because it is a different type of work. Now, not only does the mill making the fine goods require a greater number of highly skilled employees, but they must be more highly skilled. It takes a long time to train a weaver on an automatic box loom as against a plain two-harness Draper loom, and the difference lies not only in the number of employees in the higher brackets, but also in the character of skill required in people who are in the same general classification.

Q. I thought you indicated previously that the Southern mills produced goods in competition with these fine goods in the North?

A. A few, yes, but the great majority of the Southern mills are on a class of goods that is very much simpler in character, and with which the North does not now compete. They once did, but they don't now; their mills have changed over, those that are still left.

Q. You mean to say that within the fine-goods division, goods produced in the North are different from those in the South?

A. Within the fine goods division, there is a certain amount of goods of the same character produced both North and South, more of them I suppose are produced in the North, but those that are produced in the South, the fine dress goods and things of that type, their costs are almost as high, if not quite as high, as the Northern mills.

Q. Let's turn to the group that produces comparable products both in the North and in the South. Would you indicate that the mills in the North and the South on these comparable constructions have almost identical costs?

A. Not almost identical, but the difference is narrow.

Q. Would you say then that as regards those constructions employees in the South receive the same as the employees in the North?

A. Very nearly.

Q. In all ranges?

A. Not in all ranges. The unskilled employees do not receive as much.

Q. In other words, you observe that the wages for the semiskilled and skilled employees in the mills which produce comparable constructions within the fine-goods division tend to pay relatively similar wages in the semiskilled and skilled brackets, but lower wages in the unskilled brackets?

A. That is true.

Q. Do you know whether that general tendency exists in other industries in the South?

A. Yes.

Q. In other words, one may conclude, as a Professor of Economics, I believe, of the University of North

Carolina, did in 1932, that wages in the South tend to be equal to those in the North in the higher skilled brackets, and the disparity between them increases as you go lower and lower in the scale?

A. Because of the difference of character of work required.

Q. Mr. Sirrine, you indicated that conditions are now not favorable to financing, modernization programs, or the extension of mills, or the development of the textile industry; is that right?

A. That is true.

Q. Were conditions favorable in July 1933?

A. No.

Q. Has the national government made any effort to assist industrial enterprises in their expansion, modernization or other programs that they might consider?

A. There have been some loans made through the RFC.

Q. One last question, Mr. Sirrine. You indicated that you considered the cotton textile industry as a sick industry?

A. Yes.

Q. You indicated that it was a sick industry during many years, during the twenties?

A. Some of them, yes.

Q. And obviously you inferred that the industry has been sick during the depression and subsequently?

A. Yes; it had some revival in 1933 when N. R. A. went in, because the N. R. A. gave them a right to regulate production. Then in 1937 for some reason we had a better market.

Q. Mr. Sirrine, is it proper to infer from your last statement that if we would control production we would cure the ills of the industry?

A. No, I don't know that you would entirely cure them, but if the industry could control its production

it would certainly help it, there is not any question about that.

Q. Mr. Sirrine, a program of controlling production has what effect on employment?

A. Of course it tends to reduce it for the time that your curtailment persists. But this is true, Mr. Borkein, you cannot continuously employ people to make more units than you can sell. You may do it to a high degree at one time, and then you have got to cut down.

A rational scheme of control would tend to level it out, and not only to stabilize employment, but to render it to a very high degree much more satisfactory to the man who receives it.

Q. Mr. Sirrine, you indicated that most of the years which we have discussed, where industry was in the condition frequently referred to as sick—were wage increases of substantial importance or substantial size granted with the adoption of the N. R. A.?

A. Yes.

Q. Were wage increases generally of 10 to 12½ percent granted during the Spring of 1937 throughout the cotton textile industry?

A. It started in 1936.

Q. Yes.

A. There were two wage increases, one in the Fall of 1936 and one in the Spring of 1937.

Q. Where were the wage increases in the Fall of 1936 granted?

A. Where?

Q. Where?

A. In most of the mills making the plain goods.

Q. You mean wage increases were granted in Southern mills during 1936?

A. Yes, sir.

Q. Of what proportion?

A. It varied slightly. I would say a good average would be between 7 and 10 percent in the Fall of 1936, and probably a like amount in the early Spring of 1937.

Q. You mean wages in the South were increased by 20 percent?

A. No; I said from 7 to 10 in the Fall, it varied; and in the Spring there was another increase. It was not a uniform increase, but there was an increase.

Q. Wouldn't it be more accurate to describe it—I don't think there is much difference between us, I think I can state the facts a little more carefully. Wouldn't you say that the wage increases during 1936 were substantially minor, and in the Fall of—I am talking about the South—and in the Fall of 1937——

A. No, Spring of 1937.

Q. I am sorry, the Spring of 1937 the general wave of wage increases raised wages in the South by 10 to 12½ percent over those existing in July 1936?

A. I don't remember the figure, but there was a substantial increase between July 1936 and the Spring of 1937.

Q. If I may furnish the information, I think my description is quite accurate.

A. Remember this, please, that those wage increases were as a rule in the plain goods mills. They didn't apply to all mills because in a great many cases the wages were already higher than in the plain goods mills, and no increases were made, so that the increases that took place in one branch of the industry would not reflect itself in that same percentage applied to the industry as a whole over the South.

Q. Would you conclude that wages in the South between July 1936 and July 1937 increased about 10 to 12½ percent?

A. I think it is a little more than that. That is my recollection.

Q. Well, I think my question correctly describes the situation. Just so that we can clear it up, the wages in July 1936, were 34.6 in the South, and in July 1937, 39.7 cents. But wage increases were granted in the North during the period from July 1936——

A. I am not familiar with what took place in the North. I think there were some, but I am not familiar with it because we have very little business there.

Q. Do you know that the average hourly earnings in the Northern industry in July 1936, were 41.8 cents, and in July 1927, 50 cents, according to the Bureau of Labor Statistics?

A. I didn't know that; no.

Q. You will find that information in Bulletin 663.

A. I haven't any question as to its accuracy, Mr. Borkein.

Q. Both these wage increases, in July 1933, and in the 1936–37 year were granted during periods when the industry was considered sick?

A. No; 1936–37, the industry was having a good time. We had good business starting in the Fall of 1936.

Q. Were the fundamental ailments of the industry still prevalent?

A. I think fundamentally; yes. I think that was a temporary stimulation. I think everybody in the industry was somewhat surprised at the extent of the buying. I know I was.

Administrator ANDREWS. Mr. Sirrine, it has been very interesting that the negro problem has not been raised. I understand, of course, that there is a strict prohibition in the Act that any consideration be given to race, but still it is something which interests me.

Do you think that there might be a tendency for the negro workers, such as outside workers, sweepers, and that class of labor, to be replaced by white workers in the mills, not because of any prejudice, but because of

the custom to pay white workers more than negro workers?

The WITNESS. I think that is likely to occur. You are going to run into a psychological difficulty when you begin to pay a scrubber or sweeper the same price that you pay white machine tenders, and there is going to be a certain amount of resentment about it, and I think in order to avoid that psychological problem, many mills are going to try to do away with their scrubbers, and replace their colored sweepers with white sweepers. Many of them have already done it.

There won't be quite the same problem with respect to the yard hands, because they don't come in contact with each other, but that is likely to happen to some extent there. There will be some mechanization of the year. Do you happen to know whether those reductions started in New England?

A. Yes.

Mr. TAYLOR. That is all.

Re-cross-examination by Mr. BORKEIN:

Q. May I ask one more question; just one question? I note that you are associated with several rayon-weaving concerns. Could you tell me the proportion of rayon cloth which is being manufactured in Southern mills?

A. I haven't those figures. I know there is quite a large amount.

Q. Is that proportion increasing?

A. Increasing; yes, sir.

Q. Are various mixed cloths, mixed construction of cotton and rayon being produced in the South?

A. Yes, sir.

Q. Are novelty yarns being produced in the South?

A. Yes.

TESTIMONY OF L. C. JENNINGS—(2207)

The said witness testified as follows: (Reduced to narrative form).

My name is L. C. Jennings, and my home is in Eufaula, Ala., and I am President of the Cowikee Mills, operating small mills in three towns, two in Eufaula, one in Union Springs, and one in Ozark, Ala.; these are all small towns ranging in population from 3,000 to 5,000; we have about 600 employees in all. For the last 12 or 14 months, our little group has been losing money each month consistently. One mill is a weave mill, and the others yarn mills. We make mainly in the weave mill, sheeting that competes with paper, and in the yarn mills, a lot of twine that competes with jute. Judging by our operations for the past several months, we would certainly hate to see anything happen to increase our cost, in any way, because we don't think we could stand it. We would be forced to do something. I think we could survive an increase to 30 cents, and would like to see that done.

If the wage minimum is increased to 32½ cents, we will have to consider doing something drastic; that may be closing the mills, or it may be curtailment, as we cannot keep on going constantly, month after month, losing money. Our mills are averagely equipped about like our competitors. I feel that we could not stand the increase to 32½ cents, as we have been losing money for twelve months. The average hourly wage is about 30 cents. (Record Pp. 2207-2216)

TESTIMONY OF L. C. JENNINGS (T. 2209)

The witness, a resident of Eufaula, Alabama, stated that he was president of the Cowikee Mills. He testified on cross-examination as follows:

Cross-examination by Mr. BORKEIN:

Q. Mr. Jennings, I believe it is your testimony that one of the serious problems with which you are concerned is financing in your mill?

A. No, I wouldn't say that that is so.

Q. Do you say that the increase in wages due to this Bill or due to the approval of the 32½ cent minimum may force you to consider the closing of such mill?

A. I mean it would force us to consider doing something drastic; yes, sir.

Q. What would that drastic move be?

A. That may be closing it; it may be curtailment.

Q. Why do you consider such an alternative?

A. Because we could not constantly keep on going on month after month as we have been, losing money; certainly not more money.

Q. Well, couldn't you make any effort to bring your production costs in line with the rest of the industry?

A. I would say our mills are averagely equipped and economically operated.

Q. What about your production costs?

A. I think they are consistent with our competitors.

Q. I am sorry?

A. I think they are in line with our competitors.

Q. If your production costs are in line, why should you consider closing your mill?

A. Because I am losing money.

Q. I believe your plant produces sheetings?

A. That is right; and yarn.

Q. And yarn. Are there many competitors?

A. I think there are a lot of them; yes.

Q. Are there many competitors with higher costs than your own?

A. I am not familiar with that, and I am not familiar with whether my competitors are losing money like I am; but I think they are.

Q. Did you not testify you believed your costs are on a par with the average?

A. I did.

Q. Is it not reasonable to infer that there are plants having higher costs than yours?

A. I think that would be true, and possibly some with lower costs. I think I am average.

Q. Is it your belief that if this 32½-cent minimum is approved that the only alternative you face is to consider closing your plant?

A. My feeling is that, as I said in the beginning, we have constantly lost money for the past twelve months.

Q. How many years prior to that did you lose money?

A. Well, I would say we have lost more in our last fiscal year than we have ever lost before.

Q. Did you make money in prior years?

A. Yes; and lost some in some prior years.

Q. Mr. Jennings, were you here at previous sessions?

A. You mean of this meeting?

Q. Yes.

A. No; I came in yesterday afternoon.

Q. I don't recall which witness said it, but one witness reported—I would like to have your reaction to the statement, one witness reported that mills do not go out of business overnight, but rather like to hang on. Would that be your inclination?

A. That would be my observation.

Q. You don't complain that you are short of financial resources, or might not have such financial resources available?

A. No, I didn't make that complaint.

Mr. BORKEIN. Thank you.

By Mr. SCHLEZINGER:

Q. I wonder if you would mind telling us what the average hourly wage is in your plant at the present time?

A. Well, it is different in our weave mill from our yarn mill. I don't know that I could give you that exactly, but it is above thirty cents.

Q. About thirty cents?

A. Above.

Q. Above thirty cents?
Above thirty cents?

Q. Well, Bulletin 663 shows, I believe, that the average hourly earnings in all Southern mills at the present time is 36 and a fraction. Could you tell me whether yours is that high or whether it is lower than that?

A. I would say in our weaving mill that would compare, and possibly not quite that much in our spinning mills.

Q. Not quite that much in your spinning mills. Have you made any specific analysis of what your increase in labor costs would be?

A. No.

Q. In the event of either a thirty or thirty-two and a half cent minimum?

A. No.

Mr. SCHLEZINGER. Thank you.

By Mr. NATHAN:

Q. Did you get here in time yesterday to hear Mr. West's statement?

A. I did not.

Q. I believe Mr. West testified that his company would not have to discharge any employees. And when questioned as to why, he said he could work out a reshuffling of his employees, a redistribution of jobs in such a way that the 32½-cent minimum would not necessitate the discharge of any employees.

Can you explain why that is possible in Mr. West's mill and not possible in your mill?

A. No, I know very little about Mr. West's mill.

Q. I believe that is the Dan River Mills in Virginia?

A. Yes, I am familiar with the mill; I have never seen it, though.

Q. Do you think that they are operating more efficiently and with more efficient management than your mill?

A. No; I think that they are making an entirely different type of fabric, though, than we are making.

Q. How many employees do you have at the present time who are receiving less than 32½ cents an hour?

A. I couldn't say that, but the only ones who receive less than thirty cents an hour are my sweepers and scrubbers and cleaners and yard hands.

Q. Do you have any idea how many that amounts to?

A. No, not off hand, I don't.

Q. Would you say it is a hundred?

A. It would be I would say a very small percentage.

Q. Do you contemplate raising the wages of all of your employees throughout the mill if you have to raise these particular employees up to 32½ cents?

A. Well, as a matter of fact, we have not reached that stage, where we have calculated on that.

Q. Then you have not really thought this problem out deeply to determine whether your plant would have to close under the 32½-cent minimum wage?

A. I have not. I have just thought it through to the extent of knowing our plant would have to do something.

Q. In other words, you would rather the wage would be thirty than thirty-two and a half?

A. I certainly would.

Mr. NATHAN. All right.

Mr. TAYLOR. That is all, Mr. Jennings. Thank you sir.

TESTIMONY OF E. J. McMILLAN (T. 2237)

The witness, a resident of Knoxville, Tennessee, stated that he was president of the Southern States Industrial Council. He testified on cross-examination as follows:

Cross-examination by Mr. ABT:

Q. I think you said the Southern States Industrial Council was composed of 2,000 members?

A. Some 2,000; yes, sir.

Q. And they are located entirely in the South?

A. Yes, sir.

Q. How many of those members, Mr. McMillan, are manufacturers of cotton textiles?

A. I don't know.

Q. How many employees in toto are employed by the members of your association?

A. I don't know.

Q. Then I assume you also don't know how many cotton textile employees are represented by the members of your association?

I do not.

Q. Now, I understand that one of the objects of your association is to increase the industrialization of the

South; is that a correct summary of one of its objectives?

A. Yes, sir.

Q. Are you familiar with the Southeastern Governors' Conference, Mr. McMillan?

A. Slightly. I was not here when they presented their testimony, and I only know what I saw in the paper about that.

Q. Oh, I don't have reference to their testimony. I have reference to the organization of the Southeastern Governors under that name?

A. I know very little about it.

Q. You are aware, aren't you, that one of the objectives of that Conference's likewise to increase the industrialization of the South?

A. Naturally so. I might add in response to your previous question, that a very small minority of the members of the Southern States Industrial Council are in the cotton textile manufacturing business. The reason is logical. The cotton textile manufacturing industry is one that has its own organization, notably the American Cotton Manufacturers Association, and several of the states have big cotton manufacturers associations, and for that reason, this Southern States Industrial Council is composed very largely of industries of other lines.

Q. I am sure, then, you are not appearing here today as the spokesman for Southern cotton textile manufacturers?

A. I am appearing as President of the Southern States Industrial Council.

Q. Getting back to the Governors Conference, Mr. McMillan, I will ask the reporter to mark these two pages as Textile Workers Union of America's Exhibit No. 4.

(T. W. U. A. Exhibit No. 4, Witness McMillan, marked for identification.)

Mr. McMillan, I show you Textile Workers Union of America Exhibit No. 4, which consists of pages 16 and 17 of the December 30, 1937, issue of the American Wool and Cotton Reporter. Those two pages contain an advertisement of the Southeastern Governors Council. Will you take a look at that exhibit, Mr. McMillan, and tell me whether you have ever seen it before?

A. I have not.

Q. I call your attention, Mr. McMillan, to page 17 of that exhibit, the second page of the exhibit, which consists of a letter, signed by Lawrence Wood Robert, Jr., addressed to the people of the Southeast. Will you look over that letter, please?

A. You mean you want me to read the letter?

Q. Just read it over to yourself so you are familiar with its contents.

[Document handed the witness.]

Q. Would it be fair, Mr. McMillan——

Mr. BALLEW. I wonder if we might see that?

Mr. ABT. Surely.

[Document handed to counsel.]

Mr. ABT. Mr. Administrator, unfortunately, I don't have another copy of this exhibit. For the benefit of those who have not read it, perhaps it would be well for me to read it for the record, although I am going to offer it subsequently.

Administrator ANDREWS. All right, there is no objection.

Mr. ABT. This is a letter on the letterhead of Robert and Company, Incorporated, Consulting Engineers, Atlanta:

To the people of the Southeast:

We are very anxious that you thoroughly understand the objectives of the Southeastern Governors' Conference; therefore, we ask you to read carefully the following:

Today American Industry is seeking locations where manufacturing and living conditions are most favorable. The Nine Southeastern States, blessed by a moderate climate, vast resources of raw materials, great supply of intelligent Anglo-Saxon labor, highly developed power supply, and excellent transportation facilities, offer ideal conditions to manufacturers in almost every line of industry.

Realizing these advantages, the Governors of these Nine Southeastern States have embarked upon a major cooperative program to let these facts be known to the Nation and to formulate their plans toward aiding and protecting the Industrial Development of our Southeast. Industry is being invited to this section with assurance that conditions will enable it to flourish and that the employees will be happy and contented.

This far-reaching movement has already created Nation-wide acclaim and tremendous response, as evidenced by numerous editorials and news headlines of the most important newspapers and magazines.

As Industrial Consultant to this Conference, I am sure that the people of this section will clearly understand our objectives and lend their cooperation to this broad undertaking. It means more employment, larger payrolls, and greater buying power, benefiting every man, woman, and child—townspeople and farmers alike—throughout this entire Southeastern Section. The natural result will be a higher standard of living and a greater insurance against unemployment for our natural and ever-increasing population.

Sincerely yours,

CHIP ROBERT,

LAWRENCE WOOD ROBERT, JR.,

Industrial Consultant,

Southeastern Governors' Conference.

Q. Would it be fair, Mr. McMillan, to characterize that letter as a statement of the advantages which will accrue to industry from locating in the Southeastern States?

A. I don't see that I should be called upon to comment upon any of the activities of another organization. We are here simply to present our own case.

Q. Are you familiar with the fact, Mr. McMillan, that when Governors Dixon and White appeared before the Administrator on Friday, they appeared representing only themselves in their personal capacities, with the exception of Governor Dixon, who stated that he spoke also for Governor Bailey of Arkansas?

A. No; I haven't even read their testimony.

Q. Are you familiar with the fact that none of the other nine Southeastern Governors have appeared at this hearing?

A. I draw that conclusion from your remark.

Q. Now, I would like to read you, Mr. McMillan, again, one paragraph of this letter and ask you a question based on it:

> Today American Industry is seeking locations where manufacturing and living conditions are most favorable. The Nine Southeastern States, blessed by a moderate climate, vast resources of raw materials, great supply of intelligent Anglo-Saxon labor, highly developed power supply, and excellent transportation facilities offer ideal conditions to manufacturers in almost every line of industry.

Mr. McMillan, do you believe that that is a fair statement of the industrial advantages of the Southeastern States?

A. Again, I say, I would rather not comment on somebody else's case. We would rather present our

own. We are going to do it in great detail, and we would rather stand on our own feet.

Q. In your principal testimony, Mr. McMillan, you enumerated what you believed, I am sure, to be certain obvious advantages, industrial advantages of the Southeast, and I am now asking you whether in your opinion the paragraph which I have just read is a fair summary of those advantages, and I believe that it is quite relevant for you to answer that question.

A. Why, to be perfectly frank, I would rather give the matter more consideration than to have someone present it to me here and on the spur of the moment make a statement thereon.

Q. Suppose you read the paragraph again to yourself, Mr. McMillan, and then answer my question.

(Document handed to witness.)

A. I think to a large measure that it is true. In the last part of the paragraph there it speaks of offering opportunities, I think, to every industry, doesn't it say?

Q. Ideal conditions to manufacturers in almost every line of industry?

A. I think that is a very broad statement, and I don't know enough about a great many industries to know whether that is true or not. I just commented awhile ago in my remarks on the fact that many of the highly skilled industries are located almost exclusively in the North. There must be some good reason for it, highly skilled labor, and, therefore, I don't know that I could point-blank say that I subscribe entirely to that last portion of that last paragraph.

Q. Let's take them one by one, Mr. McMillan.

A. If it is——

Q. Just a moment.

A. If it is relevant, O. K. If it is not, we would very much prefer to proceed with the presentation of our own case.

Q. I see Mr. Ballew at the table listening to me very carefully, and I am sure that if the questions that I ask you are not relevant, he will interpose an objection.

"The nine Southeastern States, blessed by a moderate climate"—the letter says—are the nine Southeastern States, in your opinion, blessed by a moderate climate?

A. I think so.

Q. Do you think that that is an advantage to the industry, a moderate climate?

A. Yes, sir; and also as to living conditions and cost of living.

Q. Is there anything in the recommendation of the Majority Committee, the 32½-cent recommendation, that will affect the moderate climate with which the South is blessed?

A. I don't believe I get the import of your question there.

Mr. ABT. Will you read the question? Read it to him.

(Question read.)

The WITNESS. I don't see how a wage recommendation could affect the climate.

By Mr. ABT:

Q. I don't either, Mr. McMillan. Now, take the next matter that the letter refers to, "Vast resources of raw materials"—is there anything in the recommendation of the Majority of Industry Committee No. 1 that would affect the vast resources of raw materials in the South, that would diminish those or increase them in any way?

A. I think as I have stated in my statement here, that the matter before the Administrator today is the matter of this minimum wage in the textile industry; if that wage is advanced to the point where the cotton textile industry of the South is hurt, I think that it

adversely affects the use of the cotton, which is one of the chief products of the South.

Q. I am not talking of the wages now, but I am referring to the several statements in the letter, which states that the nine Southeastern States, blessed by a moderate climate, vast resources of raw materials——

A. That is true.

Q. And nothing in this wage order would affect that vast resources of raw materials.

A. I said I think that it might affect the use of it.—

Q. And not the store of raw materials, though?

A. Why, naturally, no.

Q. And the next item that Mr. Robert cites is "Great supply of intelligent Anglo-Saxon labor" a 32½ cent minimum wage would not affect the supply of Anglo-Saxon labor in the South, would it?

A. Affect the supply?

Q. Yes.

A. No—the supply is there.

Q. The next item that Mr. Robert cites is "Highly developed power supply"—the 32½ cent minimum wage would not affect the power supply of the South, would it?

A. No, still it is there.

Q. It is still there. The last item which Mr. Robert cites is "Excellent transportation facilities." A 32½ cent minimum wage would not affect the transportation facilities, would it, Mr. McMillan?

A. I think that anything that you do to the cotton textile industry to hurt it in the South, taking away any of the plants in the South would certainly hurt the transportation system in the South. It is one of the commodities which the transportation system rely upon for hauling.

Q. Do you think that the 32½ cent minimum wage would be followed by the bankruptcy of southern railroads?

A. No sir.

Q. You don't think that any railroads would go out of existence and take up their rails and quit the business because of the 32½ cent minimum wage in the South, do you?

A. Well, I don't know—there might be some small feeder lines affected to some of these plants in the South, that might be adversely affected.

Unless a substantial number of the railroads go out of existence by virtue of the 32½-cent minimum wage, by tearing up their tracks, and completely going out of existence, how would the 32½-cent wage minimum affect the transportation facilities in the South, or as Mr. Robert puts it, the excellent transportation facilities in the South?

A. I told you how it would affect them, and then you asked me if it would mean that they would go into bankruptcy.

Q. Tell me again how the 32½-cent wage minimum in the South would affect the Southern Transportation facilities?

A. Tell you again?

Q. Yes.

A. If you take from the South any of its textile manufacturers, you decrease the tonnage that the transportation agencies in the South have to haul, and would naturally adversely affect them.

Q. Do you mean to say that the transportation facilities in the South would be less good after the 32½-cent wage minimum were established in the textile industry in the South?

A. I didn't say less good, I said affect them.

Q. Perhaps my question was badly phrased, then. Would that 32½-cent minimum wage proposed deprive the South of what Mr. Roberts refers to, or injure in the South what Mr. Robert refers to as its excellent transportation facilities?

A. I think that it would have a tendency to adversely affect the railroads.

Q. But that wasn't my question, and that is not Mr. Robert's statement. Mr. Robert is drawing a picture that you agreed was reasonably accurate in the textile industry in the South, and one of the things he points to was the excellent transportation facilities in the South. What I am asking you is whether the transportation facilities in the South would be any less excellent as a result of the establishment of a 32½-cent wage minimum in the textile industry in the South?

A. Only insofar as their efficiency is lowered on account of having less income and on account of their inability, therefore, to carry on.

Q. Do you anticipate any such result if a 32½-cent wage minimum in the textile industry in the South were established?

A. I most certainly do.

Q. Then, as I understand it, the only item enumerated by Mr. Robert in his statement of the industrial advantages of the Southeast that you think would be in any manner affected by a 32½-cent minimum wage in the textile industry in the South would be the transportation facilities, and that only to the extent that a 32½-cent wage minimum may result in railroads becoming less efficient, is that correct?

A. I believe that is a summary of what I have said.

Q. You have considered the matter thoroughly, Mr. McMillan, and I would like to have you state any other industrial advantages that the South has that would be injured or adversely affected by the establishment of

the 32½-cent wage minimum in the textile industry in the South?

A. I would like to stand absolutely on the claims we are going to present, my successors here at this table.

Q. That is all that you care to say in answer to my question?

A. Yes, sir.

Mr. ABT. I now offer as Textile Workers' Union of America Exhibit No. 4, this document which has heretofore been identified.

Administrator ANDREWS. Any objections?

(No response.)

(T. W. U. A. Exhibit No. 4, Witness McMillan, received in evidence.)

By Mr. PITTS:

Q. In your direct testimony, you made mention of certain competitive advantages that the textile industry in the North does enjoy. Would you care to state what those advantages are?

A. I stated that if the 32½-cent wage or rather, a wage higher than that which prevailed in the South under the NRA were made effective, that it would materially increase unemployment in the South and would grant to Northern textiles an advantage, and I might state briefly that we are going to enlarge on that fact in a presentation which follows, that just as we state, that we feel if wages are to go above the 30-cent minimum which prevailed under the NRA, that there must be differentials, because we have several miles of tracks between us and the big markets in the North, and if we are to successfully compete, this cost of transportation and other factors must be taken into consideration, and if the South is put in the position where it can't compete successfully, naturally, the South will be crippled, this largest industry in the South will be crippled.

Q. So, then, one of the principal advantages of the North, that the North will enjoy, is its transportation cost advantages, if my understanding is correct?

A. The textile industries of the North are closer to the larger consuming centers, and I think you will concede that is a reasonable advantage, and that it costs less to pay down the products in the big consuming centers.

Q. Would you tell us, Mr. McMillan, whether or not it is true that the Southern States Industrial Council, of which you are president, has opposed the recent bills before the House and Senate in Washington, to equalize—designed to equalize freight rates between the Northern and Southern regions?

A. It opposed some of the first bills presented, because it didn't feel that they were fair, but it has been very much in favor of the recent bill introduced and now pending before Congress, because we feel it meets the situation.

Q. Wasn't it the attitude of your organization that the matter of freight rates should be left entirely to the Interstate Commerce Commission, and not be meddled with by law?

A. Generally so, but we felt that there should be some action taken to provide that the Interstate Commerce Commission would immediately investigate and give the South the justice which it has not received in the years past in its pleadings before that Commission, and that is the reason that we thoroughly approve the action now which makes it mandatory upon the Interstate Commerce Commission to investigate such matters as these and give us the justice to which we feel we are entitled.

Q. You still feel that the matter of freight differentials is a matter for action by a regulatory body, for a regulatory body to determine, do you?

A. Yes, sir; I do personally.

Q. Were you here Saturday morning?

A. No, sir; I was not.

Q. At that time, Mr. Sirrine testified, and on direct examination in response to Mr. Taylor's question, he made the following statement—this is on page 2170 of the record:

> And I don't think that this is a fight between the North and the South, or ought to be so considered. It seems to me the question here that we have got to consider is will this thing cause unemployment.

And he further stated in response to a question put to him, the question reading:

> I thought you indicated previously that the Southern mills produced goods in competition with these fine goods in the North?

And the answer was given:

> A few, yes; but the great majority of the Southern mills are on a class of goods that is very much simpler in character, and with which the North does not now compete. They once did, out they don't now, their mills have changed over, those that are still left.

What do you say to that?

A. I don't propose to be the expert that Mr. Sirrine is, and I have ultimate confidence in his ability and integrity and knowledge, and I should say when Mr. Sirrine makes a statement, that you could bank on it.

Q. Do you know of your own knowledge of the field of competition that may exist between the North and the South in cotton textiles?

A. The field of competition?

Q. Yes?

A. I think possibly you would find manufactured any number of most any kind of cotton textiles.

Q. No great amount of any, however?

A. Well, I should think that in the North today, if it is based on this testimony of mine a minute ago here, I think the North has resolved now to center its efforts on the manufacture of the finer fabrics which require more skill. That is evidenced by the fact that the very finest fabrics are made in the North, the finest woolen fabrics and silks are made in the North, as well as some of the very finest cotton fabrics. That is perfectly natural, people working in the cotton mills in the North have been there, their families have been there, for generations, and it is reasonable to assume that if experience counts, there must be greater skill, or great skill in some of those plants.

Q. Of your own knowledge, do you know the proportionate type of these same goods manufactured in Southern mills?

A. I do not.

Q. Are you aware of the present range of hourly wage earnings between the North and the South?

A. I have read it, but I couldn't quote it to you, because I am not a statistician or an economist. We will develop all of that in our testimony here a little later.

Q. I will read the economic data set forth in the majority report, and that given to the Committee in regard to the information set forth in Bulletin No. 663—average hourly earnings in the Southern textile cotton industry set at 32.6 cents per hour, and in the North, in the same industry, 44.6 cents per hour. Do you believe that a 32½-cent minimum wage rate if established in the South would erase that differential?

A. I think that it will certainly be a decided step toward erasing it.

Q. Based on those same statistics, there will still remain a six-cent differential between the North and the South. If that assumption is correct, do you believe that the South will suffer a disadvantage as a result of the establishment of a 32½-cent wage minimum in the Southern Textile Industry, or in the textile industry?

A. Yes, sir; and I don't believe that your assumption is correct, either.

Q. Then, you attack the basis of this calculation, do you?

A. Only in this respect—I think the average wage in the South, if this wage recommendation is made effective, will increase more than you believe that it will.

Mr. PITTS. That's all.

Mr. TAYLOR. I would like to ask the witness a few questions, if I may, Mr. Administrator.

Administrator ANDREWS. All right.

By Mr. TAYLOR:

Q. Mr. McMillan, you spoke of the N. R. A.—what was the minimum wage under the N. R. A.?

A. Thirty cents an hour, and that was in the South, and it was 32½ cents an hour in the North.

Q. Was there any special provision for outside workers, or for others of an unskilled class below the 30 cents minimum per hour?

A. There was. As I recall, it was possibly 22½ cents, but I couldn't be sure of that.

Q. It is your impression that there were two minima under the N. R. A.?

A. Yes, sir.

Q. Mr. McMillan, are you familiar with what has been described here as the bi-modal character in the Southern textile wage structure?

A. No, sir.

Q. For your information, I will explain I think the meaning of that term is in the Southern textile wage

structure there are in effect two minima in actual practice, one minimum for outside workers and scrubbers and cleaners and so on, and another minimum for machine workers.

Do you have any information on that subject?

A. Well, I think certainly in a great many plants, that must be true, because it is only logical to assume that a person who scrubs the floor and cleans up and does menial labor would not be fairly rated on the same basis with persons of even moderate skill.

Q. And it is your information that the N. R. A. did not disturb that system?

A. Yes, sir; and wisely so.

Q. I believe you have stated that it was your opinion, in reply to questions by Mr. Pitts, that if the 32½-cent minimum wage is approved, that the wage levels above the minimum would be more adversely affected than had been estimated by some of the economists on whose information the majority report is predicated?

A. Decidedly so.

Q. Mr. Abt asked you the question as to whether, if this minimum is approved, that it would affect the South's moderate climate. He did ask you that question, did he not, sir?

A. Yes, sir.

Q. Have you read the majority report of Industry Committee No. 1?

A. Only parts of it.

Q. Do you happen to recall the basis of the Committee's conclusion that there exists only a slight difference in living costs as between the North and the South?

A. I don't recall, considering that particular statement, but I know from hearsay that that has been claimed.

Q. If the Committee arrived at the conclusion that there does exist only a slight difference in living cost between the North and the South, would you say, in effect, that the Committee denied that a moderate climate does prevail in the South?

A. Well, not necessarily so.

Q. I am not sure that you understood my question, Mr. McMillan. I believe it is your opinion, is it not, that a substantial difference in living costs exist as between the North and the South?

A. Yes, sir. I don't know——

Mr. ABT. Wait a minute, I object to that until Mr. Taylor has shown that the witness is qualified to answer that question—I object to it.

Administrator ANDREWS. What was the question, again?

Mr. ABT. The witness has not been qualified on anything yet.

Administrator ANDREWS. What was the question?

Mr. TAYLOR. I believe that he did say something in his direct testimony in regard to living costs in the North and the South.

Administrator ANDREWS. Read the question.

(Question read.)

Administrator ANDREWS. I think that we will let him answer it.

The WITNESS. I do think so; I think we will present facts and figures later on in our testimony that will convince the Administrator of that fact.

By Mr. TAYLOR:

Q. As I understand you, Mr. McMillan, it is your opinion that the element of climate is one of the very material factors in that situation, is it not?

A. I think so, yes sir, decidedly so.

Q. Mr. McMillan, Mr. Abt asked you whether the approval of the 32½ cent minimum would adversely

affect the resources of the South, to which some mention I believe was made in Mr. Robert's advertisement.

Is it your information or understanding that the economy of the South has long been what you might call a "colonial economy," in that its raw materials are sent elsewhere to be processed and returned here to be sold to the people here?

A. In very large measure.

Q. In your opinion, would the approval of this wage minimum tend to perpetuate the colonial character of the South's economy?

A. I think it would be a step in that direction.

Q. Mr. Abt asked you about the effect of this proposed minimum on labor. Is it your opinion that substantial numbers of employees would be entirely displaced if this minimum is approved?

A. I believe so, because I believe that an earnest effort would be made by every concern to stay in business, and if it were financially able to revise its equipment or do anything along that line to enable it to keep its head above water, it would be natural, the first law of nature.

Q. Mr. McMillan, what would become of these employees that were thus displaced, do you think they could find employment in other textile mills or other industry?

A. I think the majority of the people displaced would be in the small communities, and I think it would be either a question of going back to the farm or coming into the city and increasing the Social Security load in the city.

Q. So that while it is true that the existence of Southern labor would perhaps not be affected, nevertheless their status of employees engaged in productive industry might be very materially affected?

A. Yes, I understood him to say that the supply would not be affected. The supply would be there just the same, people with the desire to work, even though there was no employment there offered.

Q. Mr. McMillan, there was some discussion here of transportation costs. I believe you were asked some questions perhaps by Mr. Pitts, as to the advantages enjoyed by the South.

Do you have information as to where the principal markets for the textile mills of the country is?

A. Naturally in the largest consuming centers, where the population is.

Q. And where is that?

A. In the Northern and Eastern section of the country.

Q. New York?

A. New York, Philadelphia, Baltimore, Boston, Chicago, Cleveland, Buffalo, Rochester.

Q. Apart from any matter of possible discrimination that may exist against the South, Mr. McMillan, is it not a fact, sir, that the textile mills of the South are at a greater distance from the principal markets than the textile mills of New England?

A. I tried to make that clear a while ago.

Q. And consequently are at a disadvantage as to transportation costs, even in the absence of any discrimination?

A. Yes.

Q. Now, Mr. McMillan, I would like to read you here an editorial from the Washington Daily News of June 21, and then ask you a question based upon the matter that is in this editorial.

The editorial is entitled:

The Phony Farmer Lobby.

"The Wage and Hour Act is in peril," says Administrator Elmer Andrews. And he puts the

blame on such lobbyists as Ivan G. McDaniel, Counsel to the "Agricultural Producers' Labor Committee."

Mr. Andrews ought to find a way to persuade every Congressman to read John Steinbeck's great novel, "The Grapes of Wrath." They might then be less vulnerable to the blandishments of Mr. McDaniel and his like. For Mr. Steinbeck has written an epic of man's inhumanity to man—the story of what happens to those pitiful people who flock to California and seek jobs in corporation-owned orchards, canneries, and fruit packing plants.

The Agricultural Producers' Labor Committee, says Mr. Andrews, "is a legislative 'front' for the associated farmers of California, a notorious labor-busting outfit" with "a long record of trying to solve their labor troubles by violence."

Arguing that the farmers should be exempted from paying the $11-a-week minimum wage of the Wage-Hour Act, this lobby for organized employers is seeking to deny that law's benefits to hundreds of thousands of workers in industrialized packing, canning, and processing plants, Mr. Andrews charges.

And, he asserts, most of those whom the Committee represents are not farmers at all, in the usual sense. They "participated in the operation of packing of canning plants for which their vegetable ranches or fruit orchards . . . are feeders. They've got their operations on a production line like an automobile factory, and just as thoroughly industrialized, and instead of employing an occasional hired hand they employ, off and on, hundreds of thousands of people, many of them Mexicans, Filipinos, and refugees from the Dust Bowl whom they can hire for a few cents a day, and they often house them in insanitary tent colonies, or in dilapidated shacks."

In short, these workers from whom the Agricultural Producers' Labor Committee would re-

move the protection of the Wage-Hour Act are the very ones who most need such protection. If their organized employers masquerading as farmers, get what they are trying to get, we think it ought to be a good idea for every stooge of Ivan McDaniel in Congress not only to read "The Grapes of Wrath," but to eat it.

Now, Mr. McMillan, I wish to ask you the question whether it is your view that the purpose of Congress in enacting the Wage-Hour Law was to place such reasonable floor under wages and ceiling over hours as would not substantially displace employment, and thereby eliminate unsocial, sweat-shop conditions, or do you think Congress intended that this law be used as an instrumentality for standardizing competitive conditions as between regions of this country?

Mr. ABT. I object to the question. Congress very specifically stated its purpose in enacting the law. Neither Mr. Taylor's nor Mr. McMillan's opinion, nor anybody else's speculative opinion as to what Congress may or may not have had in mind has anything to do with the issues.

Administrator ANDREWS. I think the Administrator would be interested in Mr. McMillan's opinion.

The WITNESS. I would answer the first part of Mr. Taylor's question in the affirmative.

I have so expressed myself on the subject to the Administrator several times.

Q. Then I will repeat the second part of my question, Mr. McMillan. Do you think that it is a purpose of this Act to take away, or to compensate, let us say, for the competitive, the natural competitive advantages, whatever they are, possibly it is only a moderate climate, of one section, for the advantage and continued aggrandizement of another?

A. Most decidedly not, or 8 (c) would not be in the law.

Mr. TAYLOR. That is all, Mr. McMillan.

Re-cross-examination by Mr. NATHAN:

Q. Mr. McMillan, is it your interpretation of the Act that the desire for retaining a competitive advantage which you assume the South now has must stand in the way of achieving a better standard of living?

A. I didn't make any statement that the South had a competitive advantage.

Q. Just answer the question. I said, assuming that the South has.

A. I would not assume that because it is not my thought.

Q. Well, you stated that it is not the purpose of the Act to equalize competitive conditions?

A. Not to the disadvantage of a section and to the disruption of economic conditions that have obtained over a period of time.

Q. Well, apart from what you may have said previously, would you say that as between the two, if there is a desire to improve the standard of living in one section of the country, that there is also a desire by others to retain a competitive advantage, which of the two desires shall take precedence under the Fair Labor Standards Act?

A. Would you mind repeating that?

Mr. NATHAN. Mr. Reporter, will you please read the question back?

(Question read.)

A. I don't believe I just get the essence of your question. I think I might answer it this way, that to the best of my knowledge we have had unfair labor conditions, both in the North and in the South, and the idea

of this Bill, the objective of this Bill was to try to remedy such situations, eliminate the sweatshops, and I think the Bill states there that it is not the desire to set up a competitive advantage of one section above the other. I think that is stated in the Bill, if I remember it correctly.

Does that answer your question?

Q. Partially. Well, you did mention, however, that the South competes with itself principally, that is, the type of product manufactured by the Southern mills is not manufactured much by the Northern mills today?

A. Well, I was trying to answer a question that was asked me about Mr. Sirrine's testimony, wherein he stated that the South was a producer in large measure of fabrics that require less skill. I believe that is true.

But I also stated that there was some of most every kind of fabric produced, both North and South.

Q. That is possible. But the principal competition of the Southern manufacturer is with another Southern manufacturer, isn't that correct?

A. Well, I don't believe I can answer that question without having more information in hand than I do on the volume of the different kinds of goods produced in the different sections of the country. I don't have the facts, so I wouldn't want to make a statement, not based on fact.

Q. But you did make a statement, and you just repeated the statement in effect, that the Southern mills manufacture a different type of product than the Northern mill, the Northern mill manufacturing a finer textile than the Southern mill. Therefore, the Southern mills compete, or the Southern mills' competition must be in the South, because it could not be in the North under that statement?

A. Well, that is true to a certain extent, but the point has not been raised here, nothing has been said about cotton imports from such countries as Japan and other places, where competition—well, I need not cover that, you know what the situation is there.

Q. We are talking about the competition between the North and the South.

A. We are talking about the survival of the textile industry of the South. That is what I am talking about.

Q. You further stated, I believe, Mr. McMillan, that the Southern manu ...rers must be granted a differential.

A. I said that in my opinion if a textile wage order is put into effect that would elevate the minimum above 30 cents, which was the N. R. A. minimum in the South, that not the South as a geographic section, but the cotton textile manufacturers of the South, under (8) (c) were entitled to a differential.

Q. For what reasons?

A. For the reasons set forth in 8 (c). We are going to develop later all of this testimony.

Q. The reasons set forth in 8 (c) are that the Committee must take into consideration transportation costs, production costs, and living costs?

A. That is it.

Q. Now, does it cost the Southern manufacturer more rent for his buildings than it costs the Northern manufacturer?

A. I don't think I am qualified to answer that. We have men that will testify that will give you the low-down on that.

Q. Have you an opinion on it, have you discussed it with these men?

A. I have.

Q. Could you answer the question based upon your opinion?

A. I would prefer not to. We want to state facts in this meeting.

Q. You have made some general statements. I am trying to supplement them with detailed facts?

A. You are going to get plenty of them later on.

Q. Would you state power costs are more in the South than in the North?

A. Power costs? No, I didn't say that.

Q. I say, would you say that?

A. That power costs more?

Q. Yes.

A. In the South than in the North?

Q. Yes, sir.

A. I don't know anything about the comparative costs of power, North and South. I presume it varies considerably in sections of the North and in sections of the South.

Q. Would you say the standard of living in the North is higher than in the South?

A. No, I didn't say that.

Q. I say, would you say that?

A. Well, I don't think so.

Q. Would you state the living costs are substantially different?

A. Yes, sir.

Q. And yet the standard of living is the same?

A. Well, that is a very broad statement to make.

Q. Well, to sum it up, would you say the South gets the same thing as the North for less money, as far as living costs are concerned?

A. Yes, sir; cost of living. We are going to demonstrate that fact today.

Q. That will be developed by your other witnesses?

A. Yes, sir.

Q. One last question. You stated that a colonial economy obtains in the South I believe, in reply to a question submitted to you by Mr. Taylor, and that the effect of the 32½-cent minimum would be to perpetuate that colonial economy. You didn't go into detail and explain how you arrived at that conclusion. Would you mind explaining that to me, please, sir?

A. Only this, that if, as a conclusion, as a result of the establishment of some wage order that would put certain cotton textile manufacturers in the South out of business, if some portion of the business should go to another section of the country, and if the consumption in the country maintains its standard, it is reasonable to assume a certain portion of the cotton of the South now being processed in the South will be processed elsewhere.

Q. A colonial economy, I believe, refers to the fact that the Southern people grow certain products, and then it is sent off to the North and manufactured, and brought back into the South to be sold, that was your understanding of that expression, was it not?

A. Yes, he was broadly speaking, as I understood. That is certainly true. Take the percentage of iron ore in the South, a very small percentage of it is processed in the South. It goes North.

Q. I believe we are referring to textiles specifically?

A. They are speaking of various commodities, not only the cotton, I understood.

Q. I understood him to refer solely to cotton.

Mr. TAYLOR. Mr. Nathan—as I understand it, you were discussing the expression "colonial economy."

Mr. ANDREWS. My understanding was he was speaking generally of the South.

Q. I wish to direct my questions to the textile industry alone. Would you say the effect of the 32½-cent

minimum would be to force more Southern cotton to be manufactured in the North?

A. I think the answer that I just gave you there is about as complete as I could make it.

Q. Do you think the 32½ cent minimum would force more Southern cotton to be manufactured in the North and brought back to the South to be sold?

A. I certainly think there is a possibility of that.

Q. Don't you think the Southern mills can supply the demand that is needed in the South cheaper than the Northern mill could for textiles?

A. You mean at present?

Q. At present or under a 32½ cent minimum.

A. I am not sure that that is true.

Mr. NATHAN. That is all.

By Mr. BORKEIN:

Q. Mr. McMillan, I believe you are connected with a knitting company?

A. Yes, sir.

Q. This knitting company manufactures underwear?

A. Yes, sir.

Q. Have you sold any such underwear to—under Government contracts?

A. Not for a very long time.

Q. How long has that been?

A. I can't tell you.

Q. Could you tell me the minimum wage you maintain at that plant?

A. I could, but I didn't come up here to testify as an individual manufacturer.

Mr. BALLEW. We don't think that is material. He has testified to no facts of that kind. He has not appeared in any other status than the President of the Southern States Industrial Council. This knitting mill is not included in this wage order.

Administrator ANDREWS. I think that is correct.

Mr. BORKEIN. I will turn to his other mill.

Q. Mr. McMillan, are you connected with other mills?

A. I stated I was President of the Cherokee Spinning Company in Knoxville.

Q. Could you tell me the type of product at that mill?

A. Yes; combed woven fabrics?

Q. Do you produce fabrics?

A. Yes.

Q. What type of fabrics are they?

A. Shirtings, principally.

Q. Are such shirtings manufactured in the North?

A. I presume so.

Q. Would you tell me the average wage in your plant?

Mr. BALLEW. Mr. Administrator, we make the same objection, that the cross examination is not relevant to anything brought out on the direct examination of Mr. McMillan.

Administrator ANDREWS. I think that is correct. I don't understand he was speaking except as President of the Southern States Industrial Council.

Mr. BALLEW. That is all, sir.

Mr. ABT. That is always relevant, to bring out the witness' interest. Here is a witness who has a textile plant which will be affected by this wage order. Certainly it is appropriate and proper to show his interest.

Administrator ANDREWS. Is the question of wages a part of that interest?

Mr. BORKEIN. Yes, sir. May I indicate the witness himself has testified as to the relationship of Northern and Southern wages, and competition between Northern and Southern plants? And furthermore this witness here has an interest in other plants producing products which are directly competitive with Northern

plants, and he represents one of those interests in which we are most vitally interested.

Mr. BALLEW. Mr. Administrator, the statement referred to was a general statement which Mr. McMillan said would be enlarged upon by witnesses who are to follow him. He was simply setting out somewhat of a preview of the testimony which the counsel expects to introduce before the Administrator on these various subjects.

Administrator ANDREWS. And they are the general views of the Southern States Industrial Council.

Mr. BALLEW. Yes, sir.

Administrator ANDREWS. It does seem to me to be using up quite a bit of time to ask him to testify as a witness when he has stated several times he is going to produce witnesses to answer the technical points.

Mr. ABT. We are now directing our questions to the practices of the witness in his own mills. Surely if the Southern States Industrial Council tenders this gentleman as a witness, it is always appropriate to show what the interest of this witness in this proceeding is. It appears, as it has appeared, that he is in a line of manufacturing covered by this order, and which is directly competitive with Northern mills. It is appropriate to show those competitive conditions, unless Mr. Ballew wishes to withdraw all of his testimony.

Administrator ANDREWS. Now, the question is—you are asking what wage rate is paid in Mr. McMillan's plant?

Mr. BORKEIN. Yes, sir. Mr. Administrator, knowing what the wages are in the plant, I think it is extremely interesting to get testimony of the witness on that question.

Mr. ABT. May I suggest you pursue the practice that you pursued with some of the lines of examination

which were objected to by counsel for the minority, and permit the testimony to go in subject to objection and later ruling by you?

Administrator ANDREWS. I think we will permit that one question, noting the objection.

Mr. BALLEW. Yes, sir; we want to note an objection.

Administrator ANDREWS. I do hope this gentleman is not going to be examined on things which he has already said information in connection with the matters will be brought out later by his other witnesses.

Mr. BORKEIN. No, sir.

The WITNESS. Will you state the question?

By Mr. BORKEIN:

Q. Will you tell us the average hourly earnings of the Cherokee Spinning Company?

Mr. BALLEW. That is a different question, Mr. Administrator.

The WITNESS. I thought it was the minimum you asked for.

Mr. BALLEW. He asked for the hourly wage. Earnings and average hourly wage are entirely two different things.

The WITNESS. For competitive reasons I don't think it is right or fair that I should disclose intimate affairs of my company. I simply state for both these companies that of course the minimum wage is 25 cents. That applies to scrubbers, sweepers, and manual jobs, and our average is far above that in both plants, because we felt all along that the 30-cent minimum as provided under N. R. A. was fair, and as far as possible we have adhered to that minimum, excepting on these manual jobs.

Mr. BORKEIN. May I ask you this general question on average hourly earnings? Aren't your earnings in your plant above 38 cents per hour?

The WITNESS. Well, I presume you could ask me that, and then ask me the other, below, so and so, and I have answered your question that you put awhile ago, which I don't think is fair.

Q. I am not going to ask you any additional questions. Just answer that one question?

A. Well, they are in the neighborhood of that.

Q. Mr. McMillan, you are connected, are you not, with the Brookside Mill?

A. Only as a director.

Q. Could you tell us the products manufactured at that mill?

A. Combed fabrics are made there also, and possibly some corded fabrics. I am not as familiar with it as I am with the other.

Q. Do you manufacture corduroys there?

A. Yes, sir.

Q. Manufacture lawns?

A. Yes, sir; I think so.

Q. Voiles?

A. I think so.

Q. Are those not the chief products of Northern cotton manufacturers?

A. That I don't know.

Q. When was the Cherokee Spinning Company first established, do you recall?

A. It seems to me it was somewhere between 1913 and 1916, as well as I can recall.

Q. And the Brookside Mills?

A. It is a very old institution.

Q. Would you call those infant industries?

A. Infant industries?

Q. Yes.

A. I wouldn't think so.

Q. You have maintained a fairly satisfactory competitive position in the market during these years?

A. I wouldn't say so. Both the Cherokee and Brookside have had a very unfortunate experience. They have both lost money heavily.

Q. I wish you would withdraw that. Otherwise I will have to go into that fact, because the facts don't seem to confirm that conclusion.

A. I don't care to withdraw it.

Q. Did you make money in 1936?

A. Where?

Q. At the Brookside?

A. I spoke of our record over a period of years. I can't tell you from memory which year we made or lost. I just know the record of the mill has not been satisfactory to either directors or stockholders.

Q. I just want to ask these few questions for the record. Did you make a profit in 1936 and did you report a profit in 1937?

A. At the Brookside?

Q. Yes.

A. I can't tell you.

Q. Just to refresh your memory——

A. It never occurred to me I would be asked a question about Brookside Mills.

(Redirect examination)

TESTIMONY OF C. C. SHEPPARD—(2283)

The witness first stated that he was President of Louisiana Central Lumber Co. and that he was Chairman of a special Committee of Southern States Industrial Council, and testified as follows:

The Southern States Industrial Council has a (2285) membership of approximately 2,000. This membership for the most part is composed of small manufacturing plants in fifteen states and representing every branch of the South's struggling industry.

In view of the excellent and convincing report of the minority of the committee, and the testimony to be presented by other groups, the emphasis of this statement will be directed to the effect of the proposed wage order, if approved, on the South's industry as a whole.

We shall attempt to show:

—that any thing that affects the cotton industry affects all other industry in the South;

—that the South was given a minority representation on this committee although it has a majority of the

textile industry as defined, and an overwhelming majority of the cotton textile industry;

—that if the South has a minority representation on this committee, it may be expected to have a hopeless and helpless minority on other committees;

—that minorities have rights and the guardian of their rights in this case is the Administrator, who should disapprove this proposed order;

—that the southern cotton farmer and the southern textile wage earner are the principal victims of this proposed order; (2286)

—that the principal effect and purpose of this proposed order is to secure a competitive advantage, in violation of the statute, over the cotton textile industry in the South;

—that the proposed order will tend to promote monopoly by forcing the small mills out of existence;

—that wage differentials have been recognized by the N.R.A., the W.P.A., and the Public Contracts Board under the Walsh-Healey Act;

—that the average wage in August, 1938, in the cotton textile industry in New England was 44.6 cents an hour, and in the South 36.6 cents an hour;

—that this differential is due to the South's higher transportation costs, lower living costs, a larger supply of untrained labor, and to occupational differentials due to a difference in the variety of products manufactured;

—that if the minimum wage is to be increased above the basic minimum in the act, the existing differentials should be preserved;

—that to attempt to equalize wages without equalizing other factors will give the North a competitive advantage that will destroy the small mill in the South;

—that the minimum wage proposed would displace (2287) a large number of substandard employees, with serious and unjust social consequences;

—that the basic minimum wage fixed in the act is all that the cotton industry in the South can stand, and survive;

—that the proposed order will curtail employment, in violation of the statute,—that it will destroy wages rather than increase them;

—that it will curtail the southern market for the products of other industries;

—that the proposed order will result in a further concentration of industry in the over-industrialized sections, which is contrary to the best interest of the South and the nation;

And finally:

—that this proposed order is a death sentence to the small mills in the smaller communities, a vital unit in the South's economy,—the focal point in the transition from a purely agrarian economy to a balanced economy of agriculture and industry.

Cotton manufacture (cotton woven goods, cotton yarn and thread, and cotton narrow fabrics) is the South's greatest industry, employing 22 per cent of the total number of wage earners in the South. This is exclusive of cotton garments and cotton hosiery. (2288)

It is estimated that over 12,000,000 people in the South are directly dependent on the growing, handling, or processing of cotton for the greater part of their income. It is predominantly a southern industry. Practically all the domestic cotton is grown in the South; most of it is processed and fabricated in the South; 74.1 per cent of the wage earners in cotton manufacture are in the South, and 75.8 per cent of the active spindles are in the South.

In song and story, in fact and figures, the South is the land of cotton; and yet, by the definition of the industry, it is combined with other textile industries, and separated from still other related industries; and although indeed the South has a majority of the employees in the combined textile industry, it is given a minority representation as shown by the accompanying table, marked Exhibit I.

It is tragic irony that the cotton industry in the "land of cotton" is ruled by an industry committee, the majority of whom are from Massachusetts, Connecticut, Rhode Island, New York, Pennsylvania, Ohio, Illinois, Nebraska, and the District of Columbia. Without reflection on the ability and integrity of these gentlemen, we submit that this is regulation without representation. Since, indeed, as the evidence shows, it means the (2289) destruction of the small mills in the small communities in the rural South, it is liquidation and confiscation without representation. . . .

The principal effect and purpose of this proposed order is drastically to reduce or eliminate the natural (2290) dif-

ferential existing between regions before other factors which were responsible for those differentials are equalized. This committee recognizes the desirability of narrowing the differentials steadily and gradually. This process has been going on as the South gained in industrial importance. It will continue if the South is not prevented by discriminatory regulation from developing its own industry.

The differential in the average hourly earnings between the North and the South in 1924, according to the Bureau of Labor Statistics, was 39 per cent (From the Monthly Labor Review, January 1938 of the Bureau of Labor Statistics). In 1932 the differential had been reduced to 26 per cent, and in 1938 to 17.9 per cent. The differential can continue to narrow only if the industrial regions balance their industry with agriculture, and the agricultural regions balance their agriculture with industry. Then the South can pay more nearly equal wages because markets, and opportunity, and supply, and demand will be more nearly equalized.

The power to change the costs of one region without changing that of other regions is the power to destroy the industry of a region, or groups or classifications within the industry. Congress granted no such power. It expressly demanded that the committee have "due regard (2291) for economic and competitive conditions," and that it recommend for each classification within the industry the highest minimum wage (not in excess of 40 cents an hour) which would not substantially curtail employment in such classification, and will not give a competitive advantage to any group in the industry.

To give a competitive advantage to northern mills in the present instance by increasing the prevailing minimum wage in the South, without increasing proportionately the

prevailing minimum wage in the North, is not only in violation of the statute; it violates the American spirit of fair play. It will defeat the purpose of those who sincerely desire to raise the level of wages in the South.

Congress did not intend to give New England an advantage over the rest of the nation, or to give the larger mills an advantage over the small mills, or the urban centers an advantage over the rural communities, or other commodities an advantage over cotton; and yet the proposed order affects primarily the cotton industry, and that part of it in the South, and principally the smaller mills in the smaller communities. The majority of the committee admitted that once they had determined on a uniform minimum it was necessary to consider only the part of the industry affected.

The proposed wage order says in effect to the (2292) southern mills and the southern wage earners:

> "Although you are further from the markets, although you must pay higher freight rates, and although your agricultural labor must be trained for industry, and although your living costs are lower, nevertheless you cannot work for even slightly lower wages than are paid in other sections where conditions are entirely different."

The existing wage differentials have been established by natural economic processes. They cannot be removed except as other factors are equalized. Wages cannot be equalized until the ratio of industry and agriculture is equalized, until freight rates and transportation costs are equalized, until production costs are equalized, until markets and opportunities are equalized. To talk of equalizing nominal wages in this vast diversified nation is to oversimplify the problem.

The proposed wage order ignores the experience and the factual data accumulated under the National Recovery Administration. The N.R.A. recognized differentials in the vast majority of codes, including that of the textile industry. According to "Minimum Wages Under the Codes," N.R.A., four-fifths of workers under codes were affected by a differential. "From the very first," says the report, "N.R.A. policy provided for sectional or geographic (2293) differentials in the minimum wage. This is especially true as between the North and the South. . . ."

The accompanying table marked Exhibit II shows the size of the differential in 410 codes having a differential.

It should be remembered that in the cotton textile industry there were two minima under the code. The code permitted wages of 22.5 cents an hour to outside laborers and sweepers and scrubbers. For other workers the minimum wage was 30 cents. In August 1938, almost two-thirds of the laborers, sweepers and scrubbers received from 20 to 27.5 cents an hour and less than one-sixth received 30 cents or more. . . . (2294)

In addition, recommendations are pending in the paper industry as follows:

35 cents South, 50 cents West, 40 cents for all others; in flour and other grain mill products, minimum wages ranging from 37½ cents an hour in the South to 62½ cents an hour in certain other states; in the Portland cement industry from 40 cents an hour to 65 cents an hour. We recognize that the Fair Labor Standards Act does not authorize classifications solely on a regional basis, but the findings of the Public Contracts Board are cited here as evidence of differentials existing within the industries due to various factors.

The Works Progress Administration established a schedule of wage payments for unskilled labor ranging from $21.00 per month in a small rural community in the South to $55.00 a month in a large urban community in the North.

Harry L. Hopkins, Works Progress Administrator, (2295) testifying before the Subcommittee of the Committee on Appropriations, U. S. Senate, on May 17, 1938, said:

> "The security-wage policy which has been the basis of wage payments to Works Administration workers since initiation of the program in 1935, is intended to provide a regular monthly income sufficient to meet minimum needs in the community where the workers are employed. The schedule of monthly security wages provides for variation in the monthly rate of pay for workers of different degrees of skill. . . .; for workers in different sections of the country in accordance with differences in general wage levels and costs of living; and for workers living in counties of different degrees of population concentration, those in the most populous sections receiving the highest wages. In accordance with this wage schedule shown in Table A, unskilled workers in the rural counties of the southern states are paid at the rate of $21.00 per month, as compared with $55.00 for unskilled workers in the large cities of northern and western states in Region I." . . .

Just how the same government can justify paying unskilled W.P.A. labor in northern cities a maximum of $55.00 per month, which is 211 per cent greater than the (2296) W.P.A. minimum rate of $26.00 per month in southern states at present, and deny any differential at all to private industry has never been explained so far as this committee has been informed. . . . (2298)

This recognition by Congress that such differentials in living costs do exist, and are so material as to require consideration by the Commissioner confirms the position we have taken in our brief on that question. . . . (2300)

Wages in Southern mills have been increasing more rapidly than in northern mills. From 1928 to 1938 average wages in southern cotton textile mills increased from 27.3 cents to 36.6 cents, an increase of 9.3 cents, or a 34 per cent increase. The average wage in the northern cotton textile mills increased from 39.4 cents to 44.6 cents, an increase of 5.2 cents, or 13 per cent. We attach as Exhibit IV.

An Increase in wages affecting mainly the small mills of the South would necessarily result in their closing. There is evidence that they are now losing money, that they cannot absorb an increase in cost, and that the competition of substitute materials and foreign imports will not permit increase in price. There is but one alternative,—to close down.

There was ample testimony at the hearing from all interested parties of the ailing condition of the cotton industry. King Cotton is having trouble at home and abroad. Exports have declined; imports have materially increased, and there may be further increases under reciprocal trade agreements.

In the cotton textile industry labor represents a higher percentage of the cost than in other industries. (2301) For instance, according to figures compiled by the Southern States Industrial Council from the U. S. Census of Manufactures, 1937, wages in the cotton textile industry are 57 per cent of the value added by manufacture, as compared with a ratio of 37 per cent for all industries in the South, and 40.2 per cent for the United States as a whole, including the South. . . . (2302)

. . . But so far as the small mills of the South are concerned, the proposed wage order is in fact a death sentence, and an unjust sentence.

If it be said that the marginal mill must suffer the consequences, we submit that it is made a marginal mill only by artificial regulation. It can well hold its own in competition if permitted to enjoy its natural advantages (2303) of lower living costs with the same standard of living for its employees, as we shall attempt to show elsewhere in this report and in a separate brief. But while the dire predictions can be justified for the Southern branch of the industry, if the proposed order is approved, we fail to see any possibility of dire consequences to the industry in New England if the minimum wage in the South remains at the basic minimum provided in the act. The increase in October, 1938 to a minimum of 25 cents provided in the Fair Labor Standards Act affected 37,000 workers, all of them in the South. The increase of 20 per cent to 30 cents an hour which, as provided in the act, will be effective October 24, 1939, will mainly affect the South. In other words, if this order is approved, the southern mills, and especially the small mills, will suffer a serious competitive handicap. But if this order is disapproved, the New England mills will still have the advantage of a narrowing of the wage differential without a change in any other factor. . . . (2304)

In the cotton textile industry the average wage in August 1938 was 38.3 cents; the average in the South was 36.5 cents. A minimum of 32½ cents is only 5.8 cents below the average for the industry. In the woolen industries, for instance, the average wage is 52.2 cents an hour. The proposed minimum for that industry of 36 cents would be 16.2 cents below that average. . . . (2305)

There is in the South a large supply of labor of high native skill and aptitude, but untrained. There is also a large supply of labor, much of which is not responsive to the training necessary to acquire the skill demanded in a more highly mechanized industry. In common labor and the less skilled trades, they are very satisfactory, but at a high minimum wage they will be replaced by more efficient labor.

The present minimum of 25 cents an hour is about three times the amount this labor can earn in agriculture and domestic service if employment were available. The only other alternative if this order is approved is the relief rolls. . . . (2306)

The advocates of the Wage and Hour Law sought to put an end to intolerable wages, intolerable hours, intolerable working conditions. The intolerable wage is the farmer's wage—90 cents a day in Alabama, 95 cents a day in Mississippi, 80 cents a day in South Carolina, $1.00 a day in Louisiana, 85 cents a day in Georgia. . . .

There are 3076 counties in the United States. According (2307) to the last census, ninety-seven of these counties, or three per cent, employed fifty-six per cent of the wage earners of the nation and were responsible for sixty-two per cent of factory production.

Furthermore, these ninety-seven counties represented only thirty-three industrial areas. Carrying it a little further, 155 counties, or five per cent, employing each over 10,000 wage earners accounted for seventy-five per cent of the country's factory production. There are 93 cities in the United States of over 100,000 population, 50 of these cities are in the ninety-seven industrial counties. That's the concentration of industry in this country. . . . (2311)

. . . In the steel industry the South has 30 per cent of the ore reserves of the nation and only 3 per cent of the steel-making capacity; 40 per cent of the pulp wood and manufactures only 7 per cent of the paper. Too long the raw materials have been exported to other sections. This is not development but exploitation. We need to process and fabricate these raw materials into the finished product. This can be done if the South is permitted to offset its handicaps with its natural advantages. A uniform minimum wage such as proposed would deny it the advantage of its lower living cost and its vast surplus of agricultural labor, and leave it with its handicaps of greater distance from the market and its untrained workers. . . . (2312)

In the study of the annual cost of living in fifty-nine cities by the Division of Social Research, Works Progress Administration, the average of the New England cities for a four-person manual workers' family maintenance level budget was $1282.57, while in the East South Central cities, it was $1181.40, a difference of 8.5 per cent, which alone is enough to justify the minimum wage differential under NRA of 30—32½ cents. The difference in fuel cost alone of $32.70 annually in large part supports the differential.

The National Industrial Conference Board's study of the cost of living in seventy-four cities March 15, 1938, showed an average for the southern cities 8.6 per cent less than for the northern. This too is slightly more than the percentage difference between 30 cents and 32½ cents an hour. . . . (2316)

We desire to point out that the proposed minimum wage order is contrary to the announced policy of the Administrator, who in his Interim Report, January 14, 1939, stated: . . . (2317)

"In still a third group of industries wage levels may have been so low prior to October 24, 1938 that the adjustment to the basic minimum levels may be all that can reasonably be expected for the present. In such cases there would seem to be no immediate desirability of raising wages above the basic statutory standard by means of the industry committee process."

It is submitted that the wage level in the cotton textile industry is necessarily one of the lowest and comes within the group "so low prior to October 24, 1938 that the adjustment to the basic minimum levels may be all that can be reasonably expected for the present." . . .

TESTIMONY OF C. C. SHEPPARD (T. 2319)

The witness, a resident of Clarks, Virginia, stated that he was Chairman of a special committee of the Southern States Industrial Council and president of the Louisiana Central Lumber Company. He testified on cross-examination as follows:

Cross-examination by Mr. ABT:

Q. I think that you cited the Public Contracts Act and the N. R. A. and the W. P. A. as examples of Governmental recognition of a North-South differential, is that correct?

A. Yes, sir.

Q. You are aware, are you not, that the standard provided for in the Public Contracts Act for the establishment of minimum wages is the standard of the prevailing wage?

A. Yes, sir.

Q. Are you also aware, therefore, that under the Public Contracts Act, the Secretary of Labor must take prevailing wages as she finds them?

A. The point in mentioning that was that Congress recognized that situation.

Q. Congress recognized what situation?

A. In requiring the Secretary of Labor to take recognition of that fact.

Q. Take recognition of what fact?

A. The existing differences in rates.

Q. Where, in the P blic Contracts Act, does Congress tell the Secretary of Labor to take recognition of a North-South differential?

A. Does she have to take into consideration the existing rates in the various sections of the country?

Q. The prevailing rates?

A. The prevailing rates?

Q. Yes. Isn't it the only purpose of the Public Contracts Act to require persons having contracts with the Government to pay not less, in wages, than the rate of wages prevailing in their sections of the country?

A. Yes; I think that is right.

Q. Do you recognize any distinction between that Act and its purpose, and the purpose of the Wage and Hour Law, the Fair Labor Standards Act?

A. (No response.)

Q. Isn't it the purpose of the Fair Labor Standards Act to raise the general wage level to a forty cent minimum?

A. Yes; that is the declared purpose.

Q. Therefore, there is the distinction between those two acts and the standards laid down in those two acts, is there not?

A. Yes sir.

Q. Coming now to the W. P. A., you read, I believe, the amendment to the Relief Appropriations Act adopted by Congress, which prohibits any difference in W. P. A. payments other than those justified by the difference in the cost of living, is that correct?

A. That is right.

Q. I assume you have no information as to what, if any, determination, the Commissioner of the Works Progress Administration will make with reference to the cost of living?

A. I have not.

Q. You are familiar with the study made by the W. P. A. with reference to the cost of living in 59 cities, are you not?

A. Yes sir.

Q. And you are also familiar with the study made by the Bureau of Labor Statistics more recently, with regard to the cost of living in 15 or 16—is that the number—ten cities, I believe it was?

A. Yes sir.

Q. Are you familiar with the fact that both of those studies show there is a greater variation in the cost of living between cities and towns within the North and cities and towns within the South, than between the average for the South and the average for the North?

A. I am not certain that I have observed that result as you have just stated it now. I don't think I noticed that.

Q. You didn't notice that?

A. No sir.

Q. May I suggest that you refer back to those studies and look at that point. Now, with reference to the N.R.A. differential, Mr. Sheppard, are you familiar with the basis upon which the Code authority and the Administrator and the President approved a differential set up under the N. R. A. Code for the Textile Industry?

A. For the Textile Industry?

Q. For the Textile Industry.

A. No, I am not familiar with the details of that.

Q. Do you know if that differential was granted because of any recognized differentials between the transportation costs as between the North and the South?

A. I said that I was not familiar with that.

Q. And you don't know if that differential was based upon the recognized difference in the cost of living, North and South?

A. I know how it was handled in our particular industry at that time. Those were very strenuous days, and a fellow did pretty well to keep up with his own industry.

Q. You may be interested in knowing how that differential was arrived at for the textile industry, and let me read you, therefore, the letter of transmittal to the President of the N. R. A. Textile Code, signed by Hugh S. Johnson, as Administrator, or a portion of that document, which reads—I am reading now from Page 14 of the pamphlet entitled "Code of Fair Competition for the Cotton Textile Industry as Aproved on July 9, 1933, by President Roosevelt," and it reads as follows:

> While there was some opposition to the differential as expressed particularly by Mr. F. C.

Dumaine, of Amoskeag, Mr. Robert Amory, representing the Northern part of the industry, stated that the differential was conceded by the North as warranted, not on the basis of living costs, but on the basis of saving in rents, and that the proposed exemption of cleaners and outside help would further operate in favor of the South to meeting the difference where it is in excess of $1, inasmuch as such help is not paid in the North considerably higher than the proposed minimum.

Notwithstanding the probable original justification for the erection by employers of mill villages, there is something feudal and repugnant to American principle in the practice of employer-ownership of employee homes. We must recognize existing realities, however, and it is therefore recommended that the existence of the regional differential of $1 per week in the minimum wage between the North and South should be for the present accepted, but it is hoped that, with the creation of real industrial self-government and improvement in the minimum wage, an impetus will be given by employers to independent home ownership eventually looking toward home ownership by employees and the conversion of the differential into a wage equivalent.

It would appear from that statement, would it not, that the $1 per week North-South differential provided for in the N. R. A. code was based upon a supposed difference in rents between company-owned houses in the South and employee-owned homes in the North?

A. That appears to be the way he stated it; yes.

Q. Has there been any diminution or increase in company-owned homes in the South in the textile industry, since the promulgation of the N. R. A. Code, do you know?

A. I wouldn't be able to answer that question.

Q. Are you familiar with the facts that the Fair Labor Standards Act provides that an employer may deduct from the minimum wage the reasonable cost of furnishing housing to its employees?

A. Yes; I am familiar with that provision of the law.

Q. That being the case, is it not correct, that any difference between the cost of company houses in the South and rents in the North can be compensated for by such a deduction, since the mill owner is entitled to deduct from the minimum wage the reasonable cost of such housing?

A. It so happens that the Administrator has limited the deduction he may make.

Q. How has he limited it?

A. Are you not familiar with his bulletin with respect to the deduction that may be made for rent?

Q. Does the bulletin provide that a mill operator or any other employer may deduct from the minimum wage the reasonable cost of the company housing?

A. As I remember it, he provides that the employer may deduct a 5½ percent return on the net depreciated value of his buildings, less maintenance.

Q. Do you think that that represents reasonable cost?

A. I think that would vary with the different buildings, different situations that you would have.

Q. In the event that in some particular case that formula did not represent the reasonable cost of that particular company's housing, isn't it correct that under the law, the Administrator is required to permit a deduction equivalent to such reasonable cost?

A. I think he is.

Q. That being the case, Mr. Sheppard, is it not correct to say that the sole reason which Mr. Johnson, the Administrator of the N. R. A., found for the granting of a North-South differential, is eliminated under this law?

A. Well, it may be, as you are using it in your argument now, but it leaves part of the factor there in all of the others.

Q. Pardon?

A. I say it leaves a part of the factors present, and all of those transportation costs and living costs.

Q. I am simply referring now to your own illustration of the N. R. A.?

A. Oh, yes.

Q. It would be correct to say, then, that the sole reason which the N. R. A. found for the establishment of a North-South differential is not present under the Fair Labor Standards Act?

A. Well, I assented to the recommendation you read there from General Johnson, but I think that men that are more familiar with the textile industry and the history of the textile code had better answer some of your questions about that differential.

Q. I only took the N. R. A. because you brought it up; I did not.

Now, Mr. Sheppard, I think you stated that since 1924 there has been a narrowing of the differential between the North and South; is that correct?

A. That is right.

Q. And you cited some figures—I have forgotten just what it was—indicating the extent to which that differential had narrowed, is that correct?

A. That is right.

Q. Are you familiar, Mr. Sheppard, with the facts as to whether or not the narrowing of that differential was due to a decrease in the Northern wage level, bringing it closer to the Southern level, or an increase in the Southern wage level bring it closer to the Northern wage level?

A. No, I am not able to answer that.

Q. Don't you think that that is an important consideration, Mr. Sheppard?

A. I should think that that would be a matter that should be looked into; yes.

Q. Let's look into it together for a moment, Mr. Sheppard. Unfortunately, I have with me only the figures since 1928, and not since 1924, but let's see what has happened since 1928.

And I show you now our Bible, Bulletin No. 663, and ask you to look at page 72, table 44.

[Document handed to witness.]

Q. Will you look at that table a minute, so you will familiarize yourself with it generally before we proceed, Mr. Sheppard?

A. Yes, I see what you are indicating. Perhaps counsel would like to look at it too.

Mr. CLABAUGH. Mr. Administrator, the witness has not qualified as a statistician, and is not prepared to go into the details of the construction of these tables, or statistics.

Mr. ABT. I am not asking that the witness do that.

Administrator ANDREWS. I don't think he is asking that. I think it is in reference to the change in differentials, sir, during a series of years prior to the present date.

Mr. ABT. May I say, Mr. Administrator, my attention has just been called to the fact that Exhibit No. 4 introduced by the Southern States Industrial Council is a copy of Table 44, Page 72 of Bulletin 663, so that Mr. Sheppard himself has already offered it in evidence.

Administrator ANDREWS. I think that is correct.

Q. Will you refer, either to the table or to your own exhibit now, then, Mr. Sheppard?

A. All right.

Q. I assume this a correct copy of that table. The table in my bulletin, Mr. Sheppard, is entitled "Comparison of average hourly earnings in Northern and Southern cotton textile mills, 1928 to August 1938."

The first column shows the period, that is the dates, the second column the unweighted average wage for the North, the next column, the unweighted average wage for the South, the next column excess of North over South, and the final column percentage South of North. Th :t is correct, isn't it?

A. That is right.

Q. Now, look first at the column "For the North," Mr. Sheppard. In 1928, it is true, is it not, that the average hourly wage in the North was 39.4 cents?

A. That is what the table shows.

Q. By the way, do you know when the N. R. A. textile code became effective?

A. I don't know the date, but it was the first code effective in 1933. I don't remember the date.

Q. It was in July. Just a moment, and I will give you the exact date. The Executive Order was dated July 9, 1933.

Now, will you look at the wage for July 1933, for the North, Mr. Sheppard? That is just at the time that the N. R. A. code was approved. It had dropped to 27.6 cents, is that correct?

A. That is right.

Q. In other words, in the five-year period approximately, from 1928 to July 1933, the wage had dropped by almost 12 cents, is that correct?

A. So the table shows.

Q. That would be a decrease of approximately 30 percent, would it not?

A. Yes.

Q. Now, look at what has been happening to the Southern wage during that period, Mr. Sheppard, the next column. In 1928, the Southern average was 27.3 cents, was it not?

A. That is right.

Q. And by July, 1933, it had dropped to 20.5 cents, is that correct?

A. Yes.

Q. A decline of very close to 7 cents, is that right?

A. Yes.

Q. Or approximately 25 percent of the 1928 wage, is that right?

A. Yes.

Q. Now, let's see what has been happening to the differential meanwhile, in the next column.

In 1928, there was a 12.1 cent differential, is that correct?

A. That is right.

Q. By July, 1933, it had narrowed to 7.1 cents, is that correct?

A. Yes.

Q. Now, the question I am interested in is who paid the greater share of the cost of that declining differential; the North, you said, or the average hourly earnings for the North declined 3 percent, while the average hourly earnings for the South declined only 25 percent, is that correct?

A. That is what the table shows.

Q. So that the decline in that, or the narrowing of that differential was due to the fact that Northern wages were forced down more rapidly than Southern wages, isn't that correct?

A. I am afraid you shouldn't ask me to assent to a statement which you are making that they were forced down. I don't know what all of the factors were that entered in that situation that brought that about. I don't know whether you can say they were forced down.

Q. Let me withdraw the word "forced," and say the narrowing of the differential here brought about by reason of the fact, was by reason of the fact that Northern wages were reduced more rapidly than Southern wages, isn't that correct?

A. According to this table, that is true.

Q. That is true. Now, let's pass over the N. R. A. period, Mr. Sheppard, in this table. And I do that because of course during the N. R. A. minimum wages at least were fixed by the Code. Let's come down to the year 1935.

Do you note in that year that the average hourly earnings for the North were 42.2 cents?

A. That is right.

Q. By 1937 they had gone up to 50 cents in the North, had they not?

A. Yes, according to this table.

Q. That would be an increase according to the table of 8 cents, would it not, roughly?

A. Yes.

Q. And 8 cents as a percentage of 42 cents would be an increase of about 19 percent, would it not?

A. Yes.

Q. Not quite 20. Now, let's see what had been happening in the North during that period, Mr. Sheppard.

In the South in 1935 the average hourly wage stood at 34.8 cents, did it not?

A. Yes.

Q. And by July 1937, it had gone up to 39.7 cents, is that correct?

A. That is right.

Q. An increase of about 5 cents?

A. That is right.

Q. And that would represent an increase of about 14 percent, would it not?

A. Yes.

Q. Let's see now what had happened to the differential during that period. In 1935, the differential was 7.4 cents, is that correct?

A. Yes.

Q. In July 1937 it had gone up to 10.3 cents, had it not?

A. That is correct.

Q. So that during that period, 1935, to July 1937 there was a broadening of the North-South differential?

A. That is right.

Q. So that it would not be correct, would it, to state that throughout the period from 1924 to date, the North-South differential had narrowed, there were periods at least like the one we are talking about now where the North-South differential had increased?

A. It was not a steady process of narrowing.

Q. Right. Now, let's see if we can tell from this table, Mr. Sheppard, why the North-South differential increased from 1935 to 1937. You said wages were increased in the North by approximately 19 percent during that period, didn't you?

A. I think so.

Q. According to the table?

A. Yes.

Q. In the South by only 14 percent, is that correct?

A. That is what the figures show.

Q. So that again this time the differential widened because wages were increased more rapidly in the North than they were in the South, is that correct?

A. At that particular period you have compared, yes.

Q. Now, let's see what happened, Mr. Sheppard, from July 1937 down to the last date shown by the table, August 1938. In that period Northern wages declined from 50 cents to 44.6 cents, is that correct?

A. That is right.

Q. That is a decline of 5.4 cents, or about 12 percent, would that be right?

A. Yes.

Q. In the South wages declined from 39.7 cents to 36.6 cents, a decline of 3.1 cents, is that correct?

A. Yes.

Q. That is a decline of about 7.7 cents, is that correct?

A. That is right.

Q. Looking now at the differential, the differential declined from 10.3 to 8 cents, is that correct?

A. Yes.

Q. So that again the differential narrowed?

A. That is right.

Q. And this time it is true, is it not, that the differential narrowed because the North decreased wages more rapidly than the South?

A. Apparently so.

Q. Now, let's throw the tables away, Mr. Sheppard, and remembering what it showed——

Administrator ANDREWS. It is an exhibit.

Mr. ABT. We will keep it for the record then.

Q. Let's see if we can make some generalizations about it. Isn't it true, from that table, that in periods of declining wages, the North reduced wages more rapidly than the South, and in periods of ascending wages the North increased wages more rapidly than the South? I will give you the table back.

A. I think I would want to examine that a little.

(Table handed to witness.)

A. Now, will you state that again.

Q. Isn't it true that in periods of ascending wages, the North increased wages more rapidly than the South, and in periods of descending wages the North decreased wages more rapidly than the South?

A. Now, you know this table is dealing with averages.

Q. I am speaking only in terms of averages, of course.

A. If the North had a schedule of wages that ran into much higher rates for their skilled labor, those averages would be affected by those changes, don't you think?

Q. Oh, surely. I am speaking only of averages, Mr. Sheppard.

A. Yes.

Q. That is all the table shows. I think you were speaking only of averages?

A. That is right.

Q. When you referred to the narrowing of the North-South differential?

A. That is right.

Q. Wouldn't my statement be correct then, as a matter of averages?

A. According to this table, it is.

Q. Now, there is some competition between the North and the South in the cotton textile industries or not?

A. Yes.

Q. Wouldn't it be fair to generalize then from this table, Mr. Sheppard, that the lower wage scale in the South, as compared with that prevailing in the North, has tended to drag down the Northern wage structure, and that whenever the North attempts to offset that effect by granting increases during periods of ascending wages, the fact that the South doesn't follow along again drags back the North closer and closer into line with the South?

A. I am afraid there are so many factors entering into that that I would not be able to follow you to that conclusion without knowing more about the details of the industry and their labor set-up.

Q. Suppose you and I just had this table before us and knew nothing else in the world except the facts in that table?

Mr. CLABAUGH. Mr. Administrator——

Mr. ABT. Just a moment, let me finish the question. Doesn't that table justify the conclusion which I have drawn?

Mr. CLABAUGH. I am objecting to your line of questioning, because the witness——

Mr. ABT. It is quite all right for you to object, but I wish you would wait until I have concluded my question

before you object. Now, you may make your objection.

Mr. CLABAUGH. It calls for conclusions of the witness on matters of economics as to which he was not qualified. He has stated the facts and introduced the exhibit in the record supporting those facts. Now, counsel asked him for the relation of cause and effect in those statistics. I submit that he is not qualified as an economist.

Administrator ANDREWS. I appreciate the difficulty. But as I understand Mr. Abt's question, it was based solely on your own exhibit. I do appreciate the cause and effect is——

Mr. ABT. Mr. Sheppard——

Administrator ANDREWS. Has he answered the last question?

Mr. ABT. No, he has not. I would like to say, before he answers it, that Mr. Sheppard's testimony has taken in a pretty broad field of economic data and factors, and in addition, as you have pointed out, my question is now directed at his own exhibit, an exhibit which Mr. Sheppard himself introduced in evidence.

Mr. BALLEW. If I understood it correctly, Mr. Administrator, the questions and answers that have been passing by Mr. Abt and Mr. Sheppard, the exhibit, according to the questions asked by Mr. Abt, sustains the facts stated in Mr. Sheppard's brief.

Mr. ABT. Mr. Ballew is at liberty to argue anything that he likes.

Administrator ANDREWS. Is there any objection to the line of questioning then?

Mr. BALLEW. As I understand, Mr. Abt wants to go further and have Mr. Sheppard, who is not an economist, try to explain how these figures were brought together, and draw inferences from them which Mr. Sheppard is not familiar with.

Mr. TAYLOR. Mr. Administrator——

Administrator ANDREWS. Well, I don't know that Mr. Abt has asked a question on how the figures were brought together. He is just basing his questions on the figures as presented in the exhibit.

Mr. TAYLOR. Mr. Administrator, you will recall perhaps that in Washington I entered a general objection to all testimony designed to support the recommendation of Industry Committee Number One on the ground that it would equalize or standardize competitive advantages as between regions. I believe that Mr. Abt's present line of questioning is one as to which I should renew that general objection, which I do.

Mr. ABT. Mr. Taylor, I would like to point out I am not making any argument on the basis of this table. I am simply trying to find out from the witness what conclusions he would draw from that table, and it is the witness' own table.

Administrator ANDREWS. What was the question again?

Mr. ABT. Will you go back to the question, Mr. Reporter?

(Question read as follows:)

> Suppose you and I just had this table before us, and knew nothing else in the world except the facts in that table . . . doesn't that table justify the conclusion which I have drawn?

Mr. ABT. You will have to go back to the question before that.

(The record was read as follows:)

> Q. Wouldn't it be fair to generalize then from this table, Mr. Sheppard, that the lower wage scale in the South, as compared with that prevailing in the North, has tended to drag down the Northern wage structure, and that whenever the North attempts to offset that effect by granting increases during period of ascending wages, the fact that the South does not follow along again

drags back the North closer and closer into line with the South?

Mr. TAYLOR. I do renew my objection to that question as one that is absolutely irrelevant to this examination.

Administrator ANDREWS. Did you make an objection to that question in time, Mr. Taylor?

Mr. BALLEW. I did.

Mr. TAYLOR. I objected to that general line of questioning generally in Washington, Mr. Administrator.

Administrator ANDREWS. Well, if you will read Mr. Sheppard's answer to it.

(Record read as follows:)

> I am afraid there are so many factors entering into that that I would not be able to follow you to that conclusion without knowing more about the details of the industry and their labor setup.

Mr. BALLEW. That is the point I make, that the table does show a narrowing of differentials. This question here points to economic theories with which Mr. Sheppard is not familiar, and as to which he is not prepared to answer any questions.

Mr. ABT. May I say just a word, Mr. Administrator? There appear to be two objections, or objections of two distinct characters coming from the opponents to the majority report.

The first objection is in essence strictly a legal objection based upon an interpretation of the statute. Mr. Taylor draws the inference that my question is based upon an attempt to argue at some later stage in the proceeding that this 32½-cent wage order is justified as a means of equalizing competitive conditions between the North and the South.

In that connection I want to refer very briefly to Section 2 (a) of the finding and declaration of policy of the Fair Labor Standards Act which reads in part:

> The Congress hereby finds that the existence in industries engaged in commerce wherein the production of goods for commerce of labor conditions detrimental to the maintenance of a minimum standard of living necessary for health, efficiency and general well being of workers, (1) causes commerce and the channels and instrumentalities of commerce to be used to spread and perpetuate such labor conditions among the workers of the several states.

And it is precisely to that point that my question is directed. My question is directed to the point as to whether or not the existence in the North and South of the situation described in that table does not have the effect of making use of the instrumentalities of commerce to drag down the Northern wage structure to a point where it will not insure minimum standards of decency and decent living conditions.

Mr. TAYLOR. That is precisely my understanding of the intention of the question, Mr. Administrator, and I simply wish to state it is our theory that Congress has no authority under the Constitution to do that, and that if you, sir, so administer this Act that that will be its effect, we wish to preserve our exceptions and objections, so that that point may be determined at a later time.

Administrator ANDREWS. Have opposing counsel had sufficient to say on that particular point?

Mr. ABT. With respect to Mr. Ballew's objection that the witness has not qualified as an expert, I want to point out only, and the examination of the witness' testimony will amply confirm the witness' conclusion, that he has gone into all of the economic facts which he apparently deemed relevant to the question, has introduced tables, cited figures on living costs; wage differentials, and what not, and if I am to be limited in my cross-examination on the grounds that a gentle-

man who speaks in these statistical terms cannot support his own statistical conclusions—if Mr. Ballew wishes to withdraw all of the witness' testimony with reference to these economic facts as to which he is not an expert, I, of course, will withdraw my question.

Mr. BALLEW. No, Mr. Administrato', my point is this. Now, here is the statement made by Mr. Sheppard, and I read from his statement:

> Wages in Southern mills have been increasing more rapidly than in Northern mills. From 1928 to 1938 average wages in Southern cotton textile mills increased from 27.3 cents to 36.6 cents, an increase of 9.3 cents, or a 34 percent increase.
>
> The average wage in the Northern cotton textile mills increased from 39.4 to 44.6 cents, an increase of 5.2 cents, or 13 percent. We attach Exhibit 4.

Mr. ABT. May I ask, Mr. Ballew, for what purpose that statement of Mr. Sheppard was made, and what its relevancy is in this case?

Mr. BALLEW. That is a matter, as I see it, Mr. Administrator, for you to determine and not me or Mr. Abt, as to whether the testimony is relevant or not. We are introducing it for the purpose of showing the narrowing of the differential which has existed between Northern and Southern wages.

Mr. ABT. It seems to me it is just as important to know why these differentials have narrowed as to know the fact that they have narrowed.

Mr. BALLEW. Mr. Administrator, if the gentleman will permit me to conclude my argument without interruption I think it would take a great deal less time. That is the sole purpose. That fact appears in the table which is introduced, that there has been a narrowing. Now, my exception simply goes to this, that when we go into the economics of the thing, Mr. Sheppard has only stated that this table which was prepared by the Bureau

of Labor Statistics shows that there was a narrowing, and further than that he has not attempted to testify, and it is not fair to him to go into the economics of the situation and try to wind him up in a ball of intricacies with which he is not familiar.

Mr. ABT. If Mr. Sheppard feels that my question is unfair to him, I withdraw it.

The WITNESS. Do I have to be in the hands of my lawyer, Mr. Administrator?

Administrator ANDREWS. How do you feel about it, Mr. Sheppard?

The WITNESS. Oh, I wouldn't—if my counsel wants me to answer that question, all right; if they don't want me to answer it, I will keep still. But if they do, I have an answer that I am afraid won't suit Mr. Abt very well.

Mr. ABT. I would gather Mr. Sheppard's counsel doesn't want him to answer the question.

Mr. BALLEW. As long as the witness says he has an answer which won't be satisfactory to Mr. Abt——

The WITNESS. I am afraid it won't.

Mr. BALLEW. Why, it is all right.

Administrator ANDREWS. I think I will let him answer the question because I think it will help me to determine the relevancy of the exhibit.

Q. Do you remember the question after all of this, Mr. Sheppard.

A. I think we had better have the conclusion you drew from it stated again, so I can see whether I can go along with it.

Q. I am talking only about this table, Mr. Sheppard, and I am trying to find what conclusions, if any, we can draw from this table as a table. I am not asking about anything else.

Now, you did testify, as is obvious from facts and from all of the testimony we have had here, that the North and the South, the Northern branch of the textile

industry and the Southern branch of the textile industry are in competition.

My question is this, based on that table, is it not a fair conclusion to state——

A. Do you want to change the record now and not use the same language you did a while ago? This is a brand new one, now, is it?

Q. If you want the old one, let the reporter read it back. Suppose we go back to that original question, with the understanding between you and me, Mr. Sheppard, that I am talking only about the table?

A. Yes.

Q. And not about anything else?

Mr. TAYLOR. While he is doing that, may I inquire how you ruled on my objection?

Administrator ANDREWS. I felt in view of Mr. Ballew's suggestion about my ruling on the relevancy of the exhibit, it might be helpful for me to determine that by having Mr. Sheppard attempt to answer this question, which still is being asked apparently.

Mr. TAYLOR. Of course my objection is based on an entirely different theory, so I would like to take an exception to that ruling, sir.

Administrator ANDREWS. My counsel advises me that there are a number of issues also involved, as I understand it, so the fact we are putting this in is not confined only to the particular point that you are making.

(Record read as follows:)

> Q. Wouldn't it be fair to generalize then from this table, Mr. Sheppard, that the lower wage scale in the South as compared with that prevailing in the North has tended to drag down the Northern wage structure, and that whenever the North attempts to offset that effect by granting increases during periods of ascending wages, the fact that the South doesn't follow along again drags back the North closer and closer into line with the South?

A. If you had a table of this character as applied to the lumber industry, my answer would have to be "no."

Q. Unfortunately I don't know anything about the lumber industry; and this table is confined to the textile industry, and that is the industry we are talking about today.

A. And furthermore I am very certain that over a period of time, such as covered by this statement, there would be so many economic factors affecting the situation, so many conditions existing in the South that were not perhaps existing in the North, such a divergence of conditions as between those large areas over a long distance, that I don't see how you can draw the conclusion that the wages that were paid during those years in the South were definitely pulling, a definite pulling influence to lower the wages in the North.

Q. Well, let's be a little more specific, Mr. Sheppard. What were some of these other conditions as apply to the textile industry, which you referred to?

A. You are going into a field where I am not familiar with the marketing of the textiles—the marketing of their products as compared with the North, and I am not familiar with that.

Q. So, you wouldn't care to go into any of these other conditions?

A. No, I don't think I would.

Q. And then, Mr. Sheppard, can you answer me just on the basis of the table alone, which is the question which I asked you?

A. Well, the table speaks for itself, it shows the narrowing of the differential between the North and the South over a certain period of time, and then again during 1937, it made a spread in that differential.

Q. And the differential narrowed and spread for the reasons that you and I worked out together when we went over that table, item by item, did it not?

A. Yes, I will admit that the figures that you deducted from this table, that the figures were correct.

Q. Mr. Sheppard, have you ever lived for any extended period of time in the North?

A. I was born in the North and lived the first thirty years of my life there.

Mr. ABT. That is all.

Administrator ANDREWS. Any other questions?

Mr. PITTS. Yes, sir.

Administrator ANDREWS. Will it be very long?

Mr. PITTS. I think that I can finish my questioning in ten minutes.

Administrator ANDREWS. Do you think that you can last that long?

The WITNESS. I will try it, Mr. Administrator.

Mr. TAYLOR. I have certain questions that I think will take considerably over ten minutes, Mr. Administrator.

Administrator ANDREWS. Then, do you think that it would be well to recess until 2:15?

Mr. NATHAN. I might state that I will have a considerable number of questions to ask this witness, myself.

Administrator ANDREWS. Then, you think it would be better to recess until 2:15?

Mr. NATHAN. Yes, sir.

Administrator ANDREWS. We will recess until 2:15, at this time.

(Whereupon, at 1:15 o'clock p. m., a recess was taken until 2:15 o'clock p. m. of the same day.)

AFTERNOON SESSION

2:15 o'clock p. m.

Mr. BALLEW: Will you resume the stand, please, sir, as the Administrator is desirous of continuing?

Administrator ANDREWS. This is a continuation of the hearing on the recommendation of Industry Committee No. 1 for a minimum wage in the textile industry.

C. C. SHEPPARD, the witness on the stand at the time of the recess, having been previously sworn, resumed the stand and testified further as follows:

Administrator ANDREWS. Is Mr. Pitts here?

(No response.)

Administrator ANDREWS. Mr. Taylor, were you going to cross-examine the witness?

Mr. TAYLOR. I was going to ask him some questions, yes, sir.

Cross-examination (continued) by Mr. TAYLOR:

Q. Mr. Sheppard, in the discussion this morning as to the wage differential of $1 that prevails between the North and the South in the case of the textile industry, I believe that the suggestion was advanced that that was possibly attributable to the existence of the mill village situation.

Do you happen to know whether such a differential existed or was provided for in other industries in which the mill village situation did not exist?

Mr. ABT. May I make a correction for the record? The statement that the differential was based on the difference between the cost of company housing and proprietary housing did not emanate from me, but I was simply quoting the statement by General Johnson in his letter of transmittal to the President.

The WITNESS. I did not know very much about the Textile Code and the schedule of wages approved. We were struggling at the same time with a Lumber Code for the lumber industry which was scattered throughout the nation, at that same time, and I do recall that after weeks and weeks of consideration of the matter, day and night, the Administrator finally approved of a

minimum wage of 24 cents an hour for the Southern lumber industry, without regard to any mill villages or anything of that kind, and 42 cents on hour for the Pacific Northwest, and 35 cents an hour for the Northern States and the Northeastern States.

By Mr. TAYLOR:

Q. That came within your own personal observation, did it?

A. Yes, sir.

Q. Mr. Sheppard, were you here this morning when Mr. Abt read an advertisement by the Southeastern Governors' Conference?

A. Yes, sir, I heard that read.

Mr. Sheppard, I wish to read you here certain material, and when I have completed reading it, I then will ask you several questions with reference to it.

The first item in this material is an advertisement from Time Magazine of the issue of November 22, 1337, by The Massachusetts Development and Industrial Commission; the advertisement is entitled "Proof: The Trend of Industry Is Now to Massachusetts," and it reads:

> Another industry, seeking a manufacturing site, has chosen Massachusetts. Why?
>
> Because a searching investigation proves that Massachusetts leads in presenting opportunities for profitable production.
>
> Here's what this investigation discloses:
>
> That the Geographical location puts them nearer their source of materials and nearer the great mass markets of the country, thus offering tremendous transportation and other savings.
>
> That Massachusetts' record of "man-days lost" from strikes is among the very lowest of any industrial state for the first four months of 1937.
>
> That the skill of its labor, the healthful, envigorating climate, and the prompt, adequate servic-

ing facilities of the state are all factors in the high volume of production for which Massachusetts is famous.

That the state government is eager to help the rightful progress of industry.

That the taxes upon manufacturing corporations are the lowest of any industrial state in the Union, and that these taxes are either stable or on the downward trend.

Briefly, that, compared point by point with any other industrial state in the Union, Massachusetts is the first choice for profitable production.

Massachusetts merits your consideration. Write today for the book "Industrial Advantages of Massachusetts," a factual presentation you should have on your desk.

And as I say, that is signed by The Massachusetts Development and Industrial Commission, State House, Boston, Massachusetts.

A. I wish I could move my saw-mill up there.

Q. Now, in that same connection, Mr. Sheppard, I wish to read you from another item here, reprinted from the December 1938 issue of Industry, a monthly magazine published by the Associated Industries of Massachusetts. This apparently is sponsored by The Massachusetts Development and Industrial Commission, State House, Boston, Massachusetts, in cooperation with the Associated Industries of Massachusetts.

It is entitled "Massachusetts, Preeminent—in Basic Industrial Advantages," and it takes up and deals with several items here, the first of which is labor, and it reads:

Massachusetts, first industrial state, has available the largest number of highly skilled workmen and women of almost every job classification in the country. Good craftsmanship is universal, not exceptional. Labor cost is lower than many

other manufacturing centers, and almost every labor demand can be immediately filled. Man-days lost from labor disputes is phenomenally low and has been sharply declining since 1934.

And then under the heading Markets, it reads:

> Massachusetts, because of its geographical location and its excellent transportation facilities, offers its manufacturers ideal market opportunities. Within a radius of 300 miles from the center of Massachusetts, and accessible by overnight delivery are all of the principal market centers of New England, the great population areas in and about New York and Philadelphia. Within this 300-mile arc are all of New Jersey, most of New York State, half of Pennsylvania, much of Delaware, part of Maryland and the principal cities of Eastern Canada. States within or cut by this 300-mile circle contain 29.5 percent of the population of the United States, 42.8 percent of all industrial workers, 43.2 percent of all wages and nearly 43 percent of all industrial establishments. Easy and quick access to major markets is one of Massachusetts' greatest manufacturing assets.

Then under the heading Taxes, it reads:

> The tax situation as concerns industry in Massachusetts reflects the general respect in which industry is held in this commonwealth—

And I repeat only the statement that was carried in the other advertisement—that "The total taxes for manufacuring corporations is the lowest of any industrial state."

Then they have the heading Climate, and they state that the climate is invigorating.

And then under the heading Transportation, it reads:

> Massachusetts is especially fortunate in transportation facilities of every sort—rail, highway, water, and air. By rail or by truck and rail,

every manufacturing location in Massachusetts is directly and readily linked to all American markets. A network of excellent highways provides perfectly for truck transport. Boston, one of the great shipping ports of the world, offers regular steamship connection not only for all export trade, but for coastal shipping and for connections with the West Coast via the Panama Canal. For both goods and passenger service, air transportation in Massachusetts has been highly developed into a network reaching to every part of the state.

Under the caption Cost of living, the advertisement says:

> Cost of living is, naturally, an important factor in industry. The real criterion of a satisfactory wage is not its amount, but what it will buy. During the past ten years, the average cost of living in Massachusetts has declined 13 percent. A study of annual monthly rentals paid for nonfarm homes shows the average for Massachusetts to be $29.70. This may be compared with the corresponding figures for such industrial states as: New York, $41.94; New Jersey, $37.49; Illinois, $37.49; Michigan, $37.90.
>
> The cost of living in Massachusetts' industrial cities compares favorably with cost figures from other industrial cities throughout the country.

And then the banking structure is discussed at this point, and finally the advantages in Massachusetts from the standpoint of locations, and under the latter heading, it says:

> In every industrial city and town in Massachusetts are available excellent manufacturing sites. Also available by lease or purchase are a considerable number of factory buildings.
>
> Massachusetts provides many additional advantages for its manufacturers, such as ample supplies of good water, inexpensive and depend-

able electric power, access to machine parts and technical assistance for repairs or other servicing of equipment, highly developed cultural and recreational facilities of every sort.

Q. Now, Mr. Sheppard, I continue with a brochure here, entitled "Industrial Advantages of Massachusetts." This is published by the Massachusetts Development & Industrial Commission, at the State House in Boston. I will read you excerpts from this pamphlet:

> Massachusetts, pioneer industrial state, which plowed the ground, planted the seed, and nourished into fertility almost every major industry in the United States again spells OPPORTUNITY to the ambitious and far-sighted manufacturer who is about to establish a business, whose present location is a handicap, or whose plans for the future call for decentralization.
>
> It is a curious, yet understandable fact, that the ebb and flow of economic factors have again placed striking advantages in the Old Bay State, to be grasped by those willing to examine, arrive at conclusions, and act,

Taking up page 3, it is entitled "Massachusetts today offers to industry:

"1. Unexcelled labor supply.

"2. Freedom from labor unrest.

"3. Exceptional plant facilities.

"4. Close proximity to leading markets."

"5. In heart of great purchasing area."

And under that there is this statement:

> A 500-mile circle drawn from the center of Massachusetts will either encompass or touch fourteen states and the District of Columbia. In these states and Washington are located:
>
> 50.5 percent of all manufacturing plants in the country.

I will not continue that, because I believe that was included in the other advertisement:

6. Lowest taxes in United States industrial states.

I do wish to read in that connection the elaboration of that statement:

Massachusetts manufacturing corporations enjoy the lowest taxes in the United States.

The only local tax paid by a manufacturing corporation in Massachusetts is the tax on real estate.

Massachusetts maintains a pay-as-you-go policy in governmental expenditure. Massachusetts has no debt that is not being met, both as to principal and interest, out of current revenue. All taxes that a manufacturer is obliged to meet are either stable or downward in their trend. Municipal expenditures have reached stability, and there is a definite tendency to recede.

The actual tax cost in Massachusetts in respect to necessary equipment to develop a given commodity IS LESS THAN IN ANY STATE IN THE COUNTRY.

Machinery for manufacturing purposes and every form of tangible industrial personal property is exempt from local taxation to manufacturing corporations.

One of the outstanding advantages of Massachusetts, from a tax viewpoint, is that Massachusetts taxes are all-inclusive in all of the basic needs of industry and workers. There is but one tax requirement. There are no special taxes for particular purposes and neither is the manufacturer separately taxed for schools, public health, recreational equipment, or any other public activity.

Each year's tax bill indicates the full requirement of that year. There are no deficits to absorb.

Valuations placed on property must be fair as an appeal lies to an Appellate Tax Board to insure fairness. Local assessors have the power in determining values to recognize the worth of an existing plant in relation to its functional use. In other words, they are in a position to make valuation meet existing conditions.

This stabilization of taxes is not new. There has been no increase in the rates of state corporation taxes since 1920. As a matter of fact, since 1920 the tax burden in Massachusetts has been lighter than in any other state.

Many of the industrial states in the country, with which Massachusetts is in competition, have through long periods of time built up staggering state debts, as well as costs of government, which new manufacturers moving into such a state must proportionately assume.

In Massachusetts there are no state debts that are not met and satisfied by general revenue. The towns in Massachusetts are today stronger financially than they were before the depression. The borrowing capacity of both the state and its municipalities is not exceeded by any rate. Massachusetts can today borrow money cheaper than the United States.

Massachusetts is the only state in the country that knows exactly every day what it owes in its three layers of government, state, county, and local; what it requires, and maintaining this information constantly, can definitely determine its course.

And then the pamphlet continues with other general advantages to industry, including inherited labor skill and aptitude, ideal climate for manufacturing, efficient and well-intergrated public services, a leading state in industrial education, average costs of living, banking structure unexcelled among all industrial states, best water for industrial and personal use in the United States, outstanding in education, culture, public health, and safety, and a most attractive state in which to live.

You will recall, Mr. Sheppard, that one of the advantages urged by Massachusetts as an attraction for industry was that of servicing of industry, which I think is rather significant, and I would like to read that elaboration to you. It only covers a page:

One of the advantages of manufacturing concerns in Massachusetts enjoyed to a superlative degree is the completely adequate servicing that can be furnished by a multitude of concerns located almost at their door.

Industry grew to full stature in the state. Service concerns grew up alongside. Two factors have contributed to this condition, craftsmanship and ingenuity, and great density of manufacturing life. Today, Massachusetts may confidently claim that there is probably no state in the Union favored to the degree that Massachusetts is, in this direction.

Lost time from breakdown is an unimportant factor, because of the speed with which new parts and skilled specialists can be summoned. New equipment, replacement or repair work of any character can be provided for without delay.

As a result, maintenance costs are reduced to a minimum. A shaft crystallizes, a motor burns out, a die breaks, and no matter where in the state the plant is located, repair service is readily available, sometimes in a few minutes, with the necessary parts and skill to repair the damage.

Boston, Worcester and Springfield are general replacement centers, while many machinery and servicing concerns maintain branches in Lynn, Brockton, Fitchburg, Fall River, New Bedford, Lawrence, Lowell, Salem, Holyoke, Pittsfield and other cities and towns.

Special parts and machinery can be made in many sections of the state, while unique material can be obtained overnight.

Now, Mr. Sheppard, I have more similar material, but I belive that that will be sufficient as a basis for the question which I am going to ask you, so I will not consume your time by reading further.

With reference to this matter of taxes, Mr. Sheppard, the statement is made and repeated here that Massachusetts does have the most favorable tax situa-

tion from the standpoint of developing and operating industry of any state in the Union.

In your opinion is that a relevant economic or competitive factor that has a bearing upon this determination.

A. It certainly is.

Q. Do you happen to know whether the subject of the tax burden and its impact upon the various states and regions was made a subject of study or investigation by Industry Committee Number One?

Mr. ABT. I object on the grounds stated many times previously.

Administrator ANDREWS. Yes; that will come under the general ruling we made on that.

The WITNESS. Shall I answer it?

Administrator ANDREWS. Yes.

The WITNESS. No; I do not.

Q. Assuming that that subject was not investigated by Industry Committee Number One, in your opinion should it have been investigated?

Mr. ABT. The record will note I am objecting to this whole line of questioning.

Administrator ANDREWS. All right.

The WITNESS. Yes; I think so.

Q. Now, taking up one other question here, Mr. Sheppard, it is stated here in this pamphlet, under the heading of Railroad Mileage to adjoining markets;

> Proximity to the great New York market is one of the outstanding advantages enjoyed by Massachusetts Manufacturers. A comparison of the rail distance to New York City from both Massachusetts centers and other nearby prominent cities brings this out in the strongest light.

And then he gives the mileage from the center of Massachusetts to New York City as 145 miles, from the center of New York state to New York City, 233 miles,

from the center of Pennsylvania to New York City 350 miles, from Boston to New York City 197 miles, from Worcester to New York City 171 miles, from Springfield to New York City 131 miles, from Pittsburgh to New York City 436 miles, from Altoona, Pennsylvania, 319 miles, from Buffalo to New York City 400, Baltimore to New York City 194 miles.

Mr. Sheppard, do you happen to know how far it is from Atlanta to New York City?

A. No, I can't give you the figures right now. I might guess it and be widely wrong.

Q. Do you think it is more than 800 miles and less than 900?

A. Yes, I think it is around 800 miles.

Q. Do you happen to know how far it is from Charlotte, North Carolina, to New York City?

A. I would guess around 700 miles, but you know you can get one of these railroad timetables and put in the record and give them the exact figures.

Q. As a matter of fact, Mr. Sheppard, that information is already in the record, and I am merely asking this to emphasize points that have been heretofore made.

Assuming that no differential whatever exists, I mean no discrimination whatever exists as to freight rates, would you say, nevertheless, Mr. Sheppard, that by reason of the greater distance of this section of the country from the principal markets for the textile industry that the South is nevertheless laboring under a considerable disadvantage?

Mr. ABT. Mr. Administrator, I note Mr. Ballew has not been paying close attention to this line of questioning. I wonder if he would not like to interpose an objection on the ground Mr. Sheppard is not an expert on the question of transportation, possibly. I have no objection myself.

Mr. TAYLOR. I believe Mr. Ballew is abundantly able to interpose his own objections.

The WITNESS. Will you state that question again, please?

Q. I read you here these distances from Massachusetts, various points in Massachusetts to New York City.

A. Yes, I remember that.

Q. It looks like, a quick glance, that the average might be less than 300 miles. I believe it is agreed that the distance from Atlanta or from Charlotte, both of which are representative origin points down here, is somewhere from two to three times that. My question to you is, leaving aside the question as to whether discriminatory freight rates exist, do not the Southern manufacturers have to pay more than the New England manufacturers to get their goods to the market?

A. Are you thinking of that problem from the standpoint of the mileage alone?

Q. Yes.

A. Naturally they would. And may I add—I don't know, the lawyer over there has his eye on me, he may not let me say this, but, Mr. Administrator, I would like to say in this connection that the small man in business, whether he is located in Atlanta or in Charlotte, if he is located in Podunk, Mississippi, in trying to sell his goods in New York, Philadelphia, Boston, Buffalo, and those Northern centers, he is at a great disadvantage in addition to his freight rate disadvantage. His telephone bills, his Western Union or his telegraphic bills, and his expense of handling sales up in that territory—the boys in Boston get the business before he finds out there is any business to be placed.

Q. Would you say also, Mr. Sheppard, that by reason of these greater distances that the mills in the North and East enjoy very real advantages in the form of

transit time, in other words, what I am getting at is would it not require less time for them to get their goods to market than it would mills located in more outlying regions?

A. Yes, it certainly would.

Q. And with style factors and market conditions and other things, would you think that would be an advantage that they enjoyed?

A. I certainly would, and if I were in the business of distributing products, I would like to feel that I was close to my source of supply so I could keep my inventories as low as possible.

Q. Mr. Abt read to you this morning, I believe, from General Johnson's statement of policy in connection with the N. R. A. And he referred to certain feudal aspects of the mill village situation.

Is that correct, Mr. Abt?

Is it a fact, Mr. Sheppard, that many of the mills of the South are located in outlying communities where the only housing available must be provided by the mill?

A. That is true.

Q. Where do the employees come from mostly that work in those outlying mills?

A. From the farms.

Q. Are they usually in a position to go into town and take a job and build a house right away?

A. No; they are not.

Q. Returning to the subject of living costs, which I believe Mr. Abt questioned you about, do you know, or do you happen to know whether any of these studies of living costs have gone into the possible differences in living costs in towns of under 5,000 population?

A. I doubt if they have. I have not seen any figures covering that, especially in the smaller villages.

Q. I believe there is testimony in the record, Mr. Sheppard, that approximately 200,000 of the workers

are in mills located in towns of less than 5,000 population. If that is so, would you think that that situation should have been investigated in arriving at a conclusion about this whole living cost problem?

A. I think the Committee had a very heavy responsibility, and I do not see how they could escape making a study of that situation.

Q. Do you happen to know whether any of these investigations by the Bureau of Labor Statistics, the W. P. A., or other agencies went into the question of differences in living costs as between textile towns as such in the North and textile towns as such in the South?

A. No, I do not.

Q. Assuming that that was not gone into, do you think that that should be investigated?

A. I think it may have provided some very illuminating facts for the Committee.

Mr. TAYLOR. I believe that is all, Mr. Sheppard.

Administrator ANDREWS. Mr. Pitts?

By Mr. PITTS:

Q. Mr. Sheppard, as a textile expert, could you tell us how much of the overhead of textile operations the telephone and telegraph expenses create?

A. You flatter me by calling me a textile expert. I deny it. I was thinking of that expense in connection with any business located in these small communities, whether the textile business or the lumber business or any other line of business that has to market its products a long distance from its plant.

Q. Is it a substantial cost?

A. Yes, it is a substantial figure. More and more there has come into use the long-distance telephone call, and they generally put them in to you collect.

Q. Is it a differential you could translate into a minimum wage, do you believe, and which would affect that wage perceptibly?

A. Well, no, I wouldn't say that, but I would say added to a long list of other items, that would have to be taken into consideration, and it would have a considerable effect.

Q. Mr. Taylor read you a list of various cities in the North that were in close proximity to one another. He spoke of those cities in connection with markets for textile products. Do you know how many of those cities and which cities are markets for textile products, and for what products?

A. No, I don't know that.

Q. Do you know the proportion of textile products that are consumed in large centers of population?

A. No, I don't know that. I am just assuming that where you have people, they have to buy these goods, and they are the large centers, and they are naturally the markets for them.

Q. You base that assumption upon the belief that the raw products of the textile industry are consumed by the public directly?

A. Not the raw products.

Q. The products which are manufactured?

A. The manufactured products.

Q. The manufactured products of the textile industry are consumed directly?

A. They are finally distributed to the consuming public.

Q. Through what different processes, ordinarily, must they go before the large centers of population finally consume them?

A. Well, I am not familiar with all of the marketing practices of the textile industry, but I know that they have different channels through which they are distributed.

Q. It has been testified at this hearing that 40 percent of the products of the textile industry are consumed

by industry, 40 percent by garment manufacturers, and only 20 per cent directly by the consuming public. Would you challenge those figures as being inaccurate?

A. No, I would not challenge them, but I would say in the final analysis the consuming public uses all of them.

Q. There is no quarrel on that subject, of course?

A. No.

Q. But the textile producer is interested in the market for his product which, if those figures are correct, are centers of industry with respect to 40 percent, and centers of garment manufacture with respect to 40 percent of the entire product. Therefore you would conclude, would you not, Mr. Sheppard, that centers of population are important only with respect to the remaining 20 percent?

A. I wonder if that is a safe conclusion.

Q. Well, based on those figures.

A. In the final distribution of the product, the consumption of it is by the people generally.

Q. Of course the final distribution of the product is not a point in issue, where textile manufacturers are considering their market for the product, is that not true?

A. Well, I am just not well enough informed as to the details of methods of marketing their products to be able to go along with you to those conclusions. You had better get someone else to put that in the record for you.

Q. In your direct testimony, Mr. Sheppard, you drew certain conclusions from the different wages paid by the Works Progress Administration, did you not?

A. Yes.

Q. Would you repeat those conclusions briefly?

A. Well, they are in the record. I simply was showing the differentials that had been recognized by the W. P. A. in the various sections of the country, comparing those, the South with the North. And then I introduced this additional piece of legislation where they are attempting to correct that.

Q. I will read to you the Works Progress Administration Administrative Order No. 65.

A. Of what date is that?

Q. This is July 11, 1938, becoming effective August 1, 1938, with respect to those rates of pay. Section 3 reads:

> The rates of pay for project employees paid on an hourly basis shall be not less than the prevailing rates of pay for work of a similar nature in a simliar locality, provided that if minimum rates of pay for persons employed by private employers in any occupation are established by or pursuant to the authority conferred by any labor standards act enacted at the third session of the 75th Congress, not less than the minimum rates of pay so established shall be paid to persons in similar occupations in the same locality employed on projects.

Your remarks with respect to the Walsh-Healey Act and government contracts——

Administrator ANDREWS. Pardon me, Mr. Pitts, did you ask a question on the first part of it?

Mr. PITTS. I am phrasing the question, sir, to avoid a repetition.

Administrator ANDREWS. All right.

Q. (Continuing.) Indicated that you recognized, after being questioned by Mr. Abt, that the standards in the Walsh-Healey Act were the standards of prevailing wages, did you not?

A. That is right.

Q. Wouldn't this statement that governs the paying of Works Progress Administration wages be subject to that same observation?

A. Evidently that is what they were intending to do.

Q. So that the wages paid by the Works Progress Administration are determined by the prevailing rates in a community?

A. That was evidently the plan they were following.

Q. Rather than being set upon a differential based on any other costs?

A. Of course, I am not prepared to say that they did not take into consideration the cost of living and other factors in connection with it in recognizing the prevailing wage.

Q. Now, passing to that subject of the cost of living, do you believe that two employees in the North, one in the North and one in the South doing precisely the same work with the same efficiency, should receive different wages for the product that they produce?

A. Two employees in the North and one in the South?

Q. No, I said one employee in the South and one employee in the North, doing the identical work and producing an identical product?

A. If I were the fellow that was employed in the South, I would be satisfied to take a lower rate than if I were working in the North, because I would know that I could live for less money.

Q. And you, as such an employee, would be willing that your employer should take the accrual of that advantage from his men?

A. Well, I may be running a little bit ahead, but knowing what I do about some of the industries of the South, I would know that he would have to have some advantages or he wouldn't be able to sell his products and keep me employed. I would want to hold onto my job.

Q. You are speaking now of other disadvantages—you are not directing your remarks to the original question that I asked you, confined specifically to the wages paid to the different workers for the identical work?

A. I thought I was.

Q. I thought that you had injected another element into it?

A. I was speaking principally of the cost of living—I know that I can live for less money in the South than I can in the North, and I have lived in both places. I have a lot of men working for me who never owned an overcoat in their lives.

Q. And you believe that that fact should give an employer the right of taking the difference between the cost of living in the North and the South?

A. No, I didn't say that. I would like to see those boys have an overcoat, but they just don't want it.

Q. And the fact that they don't want it or need it, you think, should permit the employer to get that advantage over the Northern employers?

A. No, the employer should be able to get a lot more things.

Q. The presumption that we are working on, I thought is that the Southern employee is not receiving as much as the Northern employee, by virtue of the fact that it doesn't cost him as much to live, and that solely. Now, where do you think that that difference should go?

A. The employer down here can't compete with the industry in the North for other reasons than the cost of living. This transportation cost is a big factor, and the employer, because he is paying somewhat lower wages in the South than in the North, doesn't mean that the employer is getting the money.

Q. Now, laying aside other advantages or disadvantages, if there be any, there is no escape, possibly,

from the fact that if the cost of living justifies a lower wage in the South, that difference accrues to the employer, is there?

A. There are certain circumstances in which you might, in some industries, find that to exist, where that might be true, I think perhaps it is true.

Q. Senator Russell, who was instrumental in formulating the amendment to the Works Progress Administration, has used as his principal argument that the employees making identical material and rendering the same degree of efficiency should not receive a differential in pay, because—and I judge from your remarks that you don't disagree with Senator Russell?

A. I would like to say to you, sir, that I would like to see the industry in the South receive just as high wages as the industry in the North, or any other section of the country, but under the present state of our industrial development in the South, in many of our industries, particularly this one under consideration here today, I do not think that it is possible.

Q. In your direct testimony, you made reference to the wages which cotton textile manufacturing employees received in comparison to the wages received by employees in other industries?

A. Yes, sir.

Q. And stated that it was your opinion that the wages for textile employees of comparable skill were not less than those employees of other industries—have I summarized your remarks correctly?

A. I think that that is correct, and I think that I quoted the Bureau of Labor Statistics as my authority for that statement.

Mr. PITTS. I ask that this document be marked as Committee's Exhibit No. 25 for identification.

(Exhibit No. 25 of the Committee, Witness Sheppard, marked for identification.)

By Mr. PITTS:

Q. Mr. Sheppard, I hand you a report entitled "Average wage per week, October 1937, South," prepared by the Southern States Industrial Council, Research Department, Nashville, Tennessee. Would you state, referring to that study, the average weekly wage for the textile industry in the South as of that week?

A. Will I state it?

Q. Will you give it from those figures, please?

A. This statement shows the average wage per week for the textile industry in October 1937 as being $13.89.

Q. Will you state whether there is any lower weekly wage in any other industry?

A. No other industry on the statement shows a lower weekly wage than that.

Q. Will you state the average weekly wage for all manufacturing industries?

A. $17.67, according to this statement.

Q. Will you state the wage next higher than the textile industry for that particular week?

A. $14.65 was the amount for the lumber industry.

Q. And will you state the weekly wage for the highest paid industry?

A. It appears to be for coal mining, $25.41.

Q. And electric power?

A. Oh, yes, electric power, $28.32—that is the highest.

Q. Assuming that these figures are accurate, would you still conclude that the weekly wage in the textile industry is not substantially lower than that of any industry in the South?

A. Based on these figures, as they appear on this statement, it is self-evident that it is lower.

Q. Are you acquainted with the method of preparation of that study?

A. No; I am not.

Q. That is a study of the Southern States Industrial Council, Research Department, is it not?

A. It is so stated here.

Q. You have no reason to doubt the accuracy of the Research Department, have you?

A. No; I have not.

Mr. PITTS. I ask that this be received in evidence as Exhibit No. 25 of the Committee.

Administrator ANDREWS. Any objection?

Mr. PITTS. If there are no objections.

Administrator ANDREWS. Apparently, there are no objections.

(Committee's Exhibit No. 25, Witness Sheppard, received in evidence.)

Mr. PITTS. That is all.

Mr. NATHAN. I have a few questions.

By Mr. NATHAN:

Q. I believe you introduced in your Exhibit No. 1 a statement of the composition of the textile industry Committee from the South and came to the conclusion that the South was not fairly represented on that Committee. That was your first complaint or first showing, is that correct?

A. Well, I suggest that you look at the statement for confirmation of that, but I believe it was.

Q. Now, first, you have them broken down into public members, employer members and employee members, and you state that the public members from the Southern States—that there were three out of the seven public members from Southern States?

A. Well, isn't that right?

Q. I would like to ask——

Mr. ABT. I think that I noted an objection as to questions of representation on the industry committee, and I renew my objection to any question that goes to that

question, for the reasons adequately stated heretofore in my objections to that line of interrogation.

Administrator ANDREWS. The objection will be noted.

By Mr. NATHAN:

Q. Who were the public members supposed to represent?

A. I have often wondered about that.

Q. I guess we could assume that they are supposed to represent the consumers, aren't they?

A. Well, in the last analysis, I suppose that you could say that those did represent the consumers.

Q. Do you now state that the bulk of the consumers are in the North?

A. Would I say that they are?

Q. Did you not say that in your direct examination?

A. They certainly are.

Q. The principal majorities are located in the big cities in the North?

A. They are.

Q. Don't you think that it is fair, then, that the majority of the public committee come from the places where the largest numbers are located?

A. May I read you what the law says about that?

Q. No; just answer my question.

A. I would say, as a layman, that these public representatives should include a number of disinterested persons representing the public.

Q. It doesn't say where they should come from, does it?

A. No.

Q. But in trying to be fair, however, we want to let the representation come from the persons principally interested and the persons principally interested are located in the North and the East where most of the buying is done, so don't you think it fair that a major-

ity, say four out of seven, should come from a place where the majority of the people live?

A. Well, you know it is a little hard for me to reconcile that a real consumer of textile goods would become very enthusiastic about increasing the price that he is going to have to pay for his product. Most housewives don't like that.

Q. I am afraid that you are getting off onto a sort of consumer idea. You haven't answered my question. I am afraid that you are getting off into a discussion of the consumer idea.

A. Will you repeat your question?

Mr. NATHAN. Will you please read the question to the witness, Mr. Reporter?

(Question read.)

The WITNESS. If that meets the requirement as to being disinterested, I would have to say "Yes."

By Mr. NATHAN:

Q. I meant disinterested?

A. Under that condition, yes.

Q. Now, employer members, out of seven, the South got four, and that gives the South a majority on that section of the Committee, does it not?

A. That is right.

Q. And on the employee members, there are two out of seven. Now, isn't it true that all of the employee members were union officials?

A. Well, I don't know about that. I don't think that that is——

Q. And doesn't a union official represent everyone in his union regardless of what locality they come from?

A. Well, now, I wouldn't be able to go along with you on that, because I would like to say this—in my opinion the most important representatives on this committee should represent the vast number of em-

ployees in this industry. I would be more interested in that representation than I would that of the employer or than I would that of the public, but I don't know that you can assume that the two employee members, because they may represent union labor, can represent all of these other employees.

Q. Well, to get away from that particular point, I believe you stated that the cost of shipping manufactured goods in the North to the Northern consumer was less than what it was to ship it from the South, that the Southern manufacturer had to pay more to ship his products to the consumer in the North—you stated that it was about eight hundred miles from Atlanta to New York City and around a hundred miles or so from the Massachusetts manufacturer to New York City. That was your statement, wasn't it?

A. Yes; I think so.

Q. Well, those same figures obtain when it comes to shipping the raw materials to be manufactured into the North, does it not?

A. I imagine; I am not qualified to answer that definitely, but I suppose a lot of that raw material is shipped by water.

Q. Do you know of any cotton that is grown in the states of Massachusetts or New York?

A. I happen to know that Massachusetts and New York are not very large cotton-producing states.

Q. So, then, they have the disadvantage of the other end of the scale, don't they?

A. Yes; that is right.

Q. You have stated, I believe, to several questions in reply to several questions that the living costs in the South, in your opinion, were lower than the living costs in the North?

A. Well, honestly, don't you believe they are?

Q. Well, I won't answer that. I can see that the lawyers in the South seem to be about as broke as the lawyers in the North, and we both have to live and do the same thing. To get, to go into that question, don't you think that you really mean that the standard of living in the South is lower than the standard of living in the North?

A. No; I think that we fellows down here believe that we live just about as well as you boys up north.

Q. It so happens that I have been living in Georgia all of my life, and you had better not include me with the Northern boys—leave me out of it.

A. Oh, I think that you can find people having a low standard of living in any section of this country.

Q. I don't mean that they voluntarily want a low standard of living, but that it has been forced on them because they have not been able to make an adequate income to obtain a high standard of living?

A. Well, I might say, if this is pertinent, I would like to say in the little parish where I live, that the farmers have a gross income per year of about $127, back in the hills of that parish where they live, whereas the industrial worker has an average income of $742, that is for industrial employees drawing a minimum wage. If we wish to look for a low standard of living, all we have to do is to go out in that section, on these farms, and we will find it among our farm people.

Q. I believe that the Government is attempting to do something for the farmers, isn't it?

A. Unfortunately, I will state—maybe I shouldn't say this, Mr. Administrator—well, I will withdraw it.

Q. They are trying to purchase farms for them and get them started off, aren't they, on the right foot, isn't that correct?

A. Well, I can't agree with you on that, I think that it is just about the worst thing that they could do for them.

Q. You have mentioned costs and spoke of your employees not having overcoats?

A. Not all of them, but a few of the boys don't have overcoats.

Q. Actually, since they have poorer housing facilities in the South than they do in the North, then isn't it a fact that they would need more heat to make them comfortable in the South than in the North—isn't that a fact?

A. Are you making an argument for the low cost of living in the South now?

Q. I am asking you if the housing facilities in the South are not equal to the housing facilities in the North—I am asking you that question.

A. I can't agree to that as a general statement, I can take you to certain places in the North and I can take you to certain places in the South where the housing conditions are very, very bad, and then on the contrary, I can just show you some very excellent conditions of housing in the South. Of course, I know our Administrator thinks that we should paint them up a little, and I think that we should.

Q. You replied to Mr. Taylor's question just now that before fixing a minimum wage, that consideration should be given to the conditions of living, as to the cost of living in textile mill towns in the South and textile mill towns in the North—is there any particular difference in living conditions in the textile mill towns in the South and other manufacturing towns, with regard to the cost of living—in other lines of industry in the South?

A. In other lines of industry in the South—is that your question?

Q. Do you recall that Mr. Taylor asked you should the Committee have taken into consideration—I don't believe that he said that the Committee should have, but I believe he said that the Bureau in computing the cost of living—should they have taken into consideration the living cost of the textile mill towns in the South and the textile mill towns in the North as distinguished from other kinds of manufacturing towns in both areas?

A. I think that those conditions vary with the industry.

Q. Do you think that the living costs in the textile mill towns in the South are less than the living costs in other kinds of mill towns in the South?

A. No, I wouldn't say that; there may be some other industries in the South that have mill towns that have lower costs than the textile mills have, and their conditions may not be as good.

Q. In your prepared statement, Mr. Sheppard, you stated that marginal mills have arrived at their condition of being marginal solely as a result of artificial regulation? Was that your correct statement? Did I hear that correctly or not?

A. I think that that is substantially correct.

Q. By that, you mean to infer, I presume, that there were never any marginal mills until the Government attempted to fix minimum wages?

A. Oh, no, no, I didn't mean to say that at all.

Q. All right, then, will you elaborate on that statement, please, sir?

A. They may have been pretty close to marginal mills—they may have been struggling along or fighting pretty hard to hold on, but by additional regulation costs put upon them, that makes it still more difficult for them to go along.

Q. Then you wish to qualify that statement, to say that certain mills at the present time, which are marginal, regardless of what the reason is that these might be marginal mills, that additional regulation may drive them out of business?

A. I think that would be a very good statement of it.

Q. Is that what you meant by that statement?

A. Yes, sir.

Q. Your prepared statement, I presume, represents the thought of the special committee of the Southern States Industrial Council, does it not?

A. Yes, sir.

Q. Did your Committee give consideration to what the 32½-cent minimum would cost the marginal manufacturer?

A. We haven't had time to make an exhaustive study of that; it would be very expensive, in the first place, and it would be a long-time study.

Q. Then, may we understand it that your Committee is speaking in generalities only and not on the basis of an actual study?

A. Not on the basis of an actual survey, no sir. I think that we can get the exact figures pretty fast when the 32½ cents per hour minimum goes into effect.

Mr. NATHAN. That's all.

Administrator ANDREWS. If?

The WITNESS. Yes, if and when; that is right. Mr. Administrator, could I get away from these lawyers? I have to catch a train.

(Redirect examination.)

Recross examination by Mr. ABT:

Q. I think you testified on direct examination and then repeated it in reply to a question by Mr. Clabaugh just now that your figures showed that since 1924 the percentage increase in Southern Textile wages has been greater than the percentage increase in Northern Textile wages?

Mr. CLABAUGH. Since 1928, it is Table 44, Page 72.

Q. You are basing your statements on that table are you?

A. Yes, sir; on that table.

Mr. ABT. That is all.

The WITNESS. Thank you very much, sir.

Administrator ANDREWS. Thank you.

(Witness excused.)

(Direct examination.)

TESTIMONY OF MR. W. M. ADAMSON—(2397)

After stating that he was a member of the faculty of the University of Alabama, and had received his education at the University of Indiana and Columbia University, and that he had made studies of the cost of living in the South, testified as follows:

. . . It is extremely doubtful, however, whether any of the indexes now available measure adequately the differences in the level of the cost of living between cities or other geographic areas. Wide variations in local needs, habits, and systems of pricing, place particular emphasis upon the importance of ascertaining the degree to which the predetermined budgets meets the needs of the people in the geographic areas under study. In the case of foods, the Bureau of Home Economics, U. S. Department of Agriculture, has made a number of studies (2399.) relative to the nutritive value of foods in relation to cost. In January of the current year this bureau released a study made in cooperation with

the Works Progress Administration entitled, "Diets of Families of Employed Wage Earners and Clerical Workers in Cities." . . . (2400)

. . . in 1935 an adequate diet cost the wage earner's family in the cities of the East Central States ten per cent less than a diet of equal nutritive value cost the wage earner's family in the North Atlantic cities. . . . (2403)

Notice from the chart that 1 per cent of the families in the South who reported expenditures for food of from $1.25 to $1.87 a week were classified as having received good diets. 28 per cent in the same food expenditure group were classified as having obtained fair diets.

Now, let us contrast that with the situation in the North. It will be observed that according to the records and the uniform classification of diet used by the U. S. Bureau of Home Economics, not a single family obtained a good diet, or what they classified as a good diet for the expenditure for food varying from $1.25 to $1.87 per week per person. And only 9 per cent of the families in the North obtained a diet classified as fair. . . . (2404)

Now, let us notice the second food expenditure group, namely, the $2.50 to $3.12 per week per person group. It will be noticed from the last bar on the chart that 23 per cent of the families in the South obtained diets which were classified as good by virtue of an expenditure for food varying within the limits stated, namely, $2.50 to $3.12 per week; an additional 42 per cent of the families in the Southern area received diets classified as fair.

In contrast, in the Northern cities, families with a like expenditure for food showed only 5 per cent that obtained a

good diet; an additional 32 per cent of the families in the North purchased diets classified as fair. . . .

Again it is quite evident that even at this higher or in the higher expenditure for food bracket that a much higher percentage, namely, 65 per cent of the families in the South obtained diets that were classed as either good or fair, and in contrast only 37 per cent of the (2405) families were able to obtain a diet of equal classification from the Northern Cities for the same expenditure per capita per week for food.

It is interesting to note in this chart that the percentage of families in the South obtaining good or fair diets is almost as large in the expenditure group of $1.25 per week to $1.87 as is found in the North with an expenditure much higher, namely, $2.50 to $3.12 per week. This to me is one of the clearest indications that an adequate diet actually costs less in the South than in the North. . . . (2407)

Continuing our comparison of the various measures of the cost of living for various areas, let us turn our attention to the data compiled by the Works Progress Administration and published in its report "Inter-City Differences in the Cost of Living, March, 1935, 59 Cities".

The differentials of 7.6 per cent based on the "Maintenance Budget", and 6.6 per cent on the "Emergency Budget", similarly understates the actual difference in the cost of living in the areas compared.

The limitations of the uniform budget were pointed out in the original report as follows:

> "Such inferences as may be drawn regarding (2408) costs must be considered with a view to the fact that uniform budgets were priced in the main with only minor allowances for differences in local needs and habits".

The U. S. Bureau of Labor Statistics recently made a special survey of the cost of living in five Northern and five Southern cities. This survey was designed for use in connection with the administration of the Fair Labor Standards Act. Although it may be that the selection of the cities is satisfactory for the purpose of reflecting cost of living in certain industries, it certainly (2409) cannot be contended that the towns selected are representative of the cost of living in the cities in which cotton mills are located.

An analysis of the number of gainful workers in the counties in which the five northern cities are located indicate that in 1930 only 5.1 per cent of all gainful workers in occupations other than agriculture were employed in textile mills other than wool. In fact only one of these cities, namely, Dover, New Hampshire, is representative of the cotton textile cities. . . .

. . . it will be observed from that table that the living costs in Dover were the highest of the five Northern cities.

Furthermore there was a differential of more than 9.6 per cent between the living costs in Dover and the average for the two cities included in the Southern group, which are representative of the larger textile cities in the South. . . . (2411)

Comparing the two areas, it is observed that only 2.4 per cent of persons classified as gainful workers in (2412) cotton mills in the Southeast in 1930, the latest figures for which occupational statistics are available, only 2.4 per cent were in cities of 100,000 and over.

In contrast, 39.1 per cent of the persons gainfully employed in cotton mills in the New England states lived in cities of 100,000 and over. . . .

It will be noted further that only 8.7 per cent of the gainful workers in cotton mills in the South lived in cities with population between 25,000 and 99,999. Again a proportion of the New England states is much larger, namely, 20.3 per cent are shown as living in cities of between 25,000 and 100,000 population.

In other words, combining these two segments of (2413) the bars, we found that only 11.1 per cent of the workers in cotton mills in the Southeast lived in cities of 25,000 or over, whereas in the New England states 59.4 per cent, approximately 60 per cent, lived in cities of 25,000 or more. . . .

. . . The segments of the bar cross hatched with the broken lines indicate that 61.3 per cent of all textile workers in cotton mills in the South lived in unincorporated places. This contrasts again with a total of 13.3 per cent of the workers in New England states living in rural areas. . . . (2414)

The regional differences in the rural costs of living are unmistakably clear. It will be observed that in the Southeast, represented by the uncross hatched, or rather the blank section of the map, that living costs varied from 91 per cent of the national average to 94 per cent. If we include Virginia, we find the living costs (2415) in Virginia at 95 per cent of the national average. . . .

These regional averages, which are shown in Exhibit No. 8, indicate that the rural cost of living in the Southeastern states was 14 per cent lower than in the New England states, and 10.7 per cent lower than in the Mid-Atlantic states. . . . (2418)

Referring now to the chart, we observe that in the lowest income group reported, namely, $250 to $499 per family, that 18 per cent of the families in middle sized cities in the Southeast reported an expenditure of less than their income, in other words, reported savings.

It will be observed that in this low-income group not a single family in the middle-sized New England states reported a savings fund or surplus.

Coming to the next group, the income group of $500 to $749, we observe from the length of the black bar that 42 per cent of the families in this income group in the middle-size cities of the Southeast reported savings.

In contrast, only 21 per cent of the families in (2419) the middle-size cities of New England states reported surpluses. In other words, the proportion reporting savings or surpluses in the South is twice as large in the same income group as in the New England states.

We can continue. In the next income bracket, $750 to $999, 59 per cent of the families in the middle-size cities of the Southeast show income in excess of expenditures or savings, whereas 37 per cent of the families in the same size cities in the Northeast were able to show savings.

Precisely the same difference holds in the next income group, namely, the $1,000 to $1249 average income per family per year. . . . (2420)

This exhibit presents a similar analysis based upon the percentage of families reporting income in excess of living expenses in villages of the Southeast and the New England states.

Here the difference becomes even more pronounced. It will be observed that in the lowest income group, namely, $250 to the $499 group, that 32 per cent of the families reported living expenses of less than their income. In contrast, not a single family in the North or New England states at this income level reported a surplus.

In the next income bracket, $500 to $749, inclusive, again we find twice as high a percentage of the families in the South reporting surpluses as in the villages of the New England states.

Proceeding on, the difference between the two areas is still clearly marked in the $750 up to the $1250 grade or group. . . . (2424)

It will be observed that the farm rates per day without board, as compiled by the U. S. Bureau of Agriculture, April 1, 1939, in the New England states averaged $2.72. This was the highest average shown by any of the geographic areas, standard geographic areas. The Mid-Atlantic states (2425) had an average of $2.26 per day without board.

In contrast, the daily wage for farm hands per day without board in the South Atlantic States was $1.14; in the East South Central States it was $1.02; West South Central $1.18.

In other words, the farm hands received less than half as much per day on the southern farm. If your textile mill worker were to return to the farm, he would be facing a differential of at least 50 per cent in his wage rate. . . .

Now, getting on to the rates that would be available to the worker at common labor. According to the U. S. Department of Labor, Bulletin 627, Page 7, we find that the average

hourly earnings of common labor employed in cities of from 10,000 to 25,000 in the South was 26 cents in contrast to an average hourly earning of 45 cents in the North. . . . (2426)

All cities included in this survey show average earnings in the South 40 per cent lower than in the Northern cities. . . . . (2427)

But following this analysis further and calculating the average wage paid in all industries other than the textile, excluding wool, we find that the differential between the two areas was greater, namely, the average annual earnings of workers in the manufacturing industries in the South, in industries other than the textile activities under the jurisdiction of this particular committee, the average earnings in these other industries are 31.8 per cent below the average of the "all other industry group" in the New England states. I should remark also the differential is not found exclusively among wage earning groups, but is found in the occupational earnings of all groups.

For instance, the average income per gainful worker from all occupations in 1929 in the Southeastern States was $1,061. This was 28.8 per cent below the similar average for the New England states. This average was determined by dividing the figures represented in "America's Capacity to Consume", Brookings Institute, relative to the income from occupation and business by the number of gainful workers in occupations other than agriculture. .

The earnings of the farm population per gainful worker showed even a great differential, namely, the (2428) Southern average of the farm population was 63.3 per cent below the national average. . . .

As I mentioned, these facts are presented to show or bring out the fact that the textile industry is not unique among the others, that it fits into the general geographic differences that are found in all income levels, and we have already compared the purchasing power, you might say, of the income.

We see that families are able to obtain a better diet, are able to show more surpluses, on much lower income levels in the South than in the North.

Now, let us turn our attention to the situation in the industry as a whole. Much attention has been directed to the decline of the textile industry in the New England states during recent years. In fact, one might gain the impression that this decline is of comparatively recently origin, and gaining in rapidity, whereas the reverse of this is true. . . . (2437)

It will be observed from this chart that in August of 1938, approximately 28 per cent of your mills, of the individual mills in the South were paying an average wage of less than the proposed minimum. This represented 163 mills employing 36,000 people.

Now, it has previously been introduced into evidence that the estimated increase in wages in the lower group, (2438) that is, in mills paying average wages of less than 25 cents per hour in August of 1938, would probably include a wage increase of 29.8 per cent.

That in August, 1938, that the mills paying average wages between 25 and 30 cents per hour would have to adjust themselves, if they remained in business, to a wage increase of 18.2 per cent. . . .

It will be observed by this chart that approximately 77 per cent of the establishments in the South employing 97 per cent of the wage earners would be directly affected by the imposition of the proposed minimum of 32½ cents. . . . (2439)

. . . Accordingly, as shown, there was 77 per cent of the mills in the South paying an average wage in August of 1938, less than they would be expected to pay under the proposed minimum. In contrast, we can see how comparatively few mills in the North would be affected. . . . (2440)

In other words, only four per cent of the establishments in the North would be obliged to make this adjustment of an increase of five cents or more per hour in the average wage paid, whereas, in the South, 43 per cent, approximately would have to make an adjustment in the average wage paid to the employees of more than five cents an hour. . . .

Now, I will ask you, Professor, to drop, for the moment, your role as a statistician and let's talk to each other just as human beings. Would you say there is no difference in the standard of living of a worker in the North who has butter every day and a worker in the South who eats only one-fifth of that amount of butter, and to fill his dietary needs for fats, resorts to lard and salt pork? . . .

I would say that the standard of living is lower as measured by the concepts that you have in mind. However, it does not follow that all of the foods purchased by the Southern families of less expensive foods in each food classification. . . . (2563)

Now, if we glance over to the table which I previously referred to, Table 48, which is a tabulation of the average prices reported per unit of specified food groups by families classi-

fied by level of expenditure, color of family and region, December, 1934-February, 1937, you will notice the first group is eggs in the North (2564) Atlantic States, the price of eggs was 32.1 cents, in the East South Central, 29.8 cents for white families.

Under the milk group, it was 10.3 cents against 9.2 in the South. There is the extra—. . .

For instance, in your "Tomatoes, Citrus Fruits Groups," the cost of this fruit group to families in the North Atlantic States in this lower food expenditure group was 8.5 cents as against 6.4 cents in the East South Central Group. In other words, a difference of 2.1 cents or a 33⅓ per cent differential lower in the South. . . .

TESTIMONY OF W. M. ADAMSON (T. 2553)

The witness, stated that he was a member of the staff of the Bureau of Business Research of the University of Alabama. He testified on cross-examination as follows:

Cross examination by Mr. ABT.

Q. Professor, I think that you testified that you are a member of the staff of the Institute of Business Research of the University of Alabama?

A. The Bureau of Business Research.

Q. The Bureau of Business Research?

A. Yes, sir.

Q. How large a staff has that bureau, Professor?

A. Well, the Bureau has a staff of five full-time people, Dr. H. H. Chapman is director, and I am statistician and director under him.

Q. Do you spend your full time with the Bureau?

A. In the Summertime; yes; and I am employed as statistician. Teaching is presumed to be optional. However, I do teach from one to three classes in business statistics when and as convenient. In one year for instance, I taught one advanced class for six weeks only.

Q. You also act as a special consultant for the Southern States Industrial Council, do you?

A. I am at the present time.

Q. You have been retained as an expert in this case by the Southern States Industrial Council, have you?

A. Yes, sir.

Q. Now, I think you testified, professor, that based on the Bureau of Home Economics studies of diets of families of employees, wage earners, and clerical workers in cities an adequate diet in the North Atlantic States could be purchased at a cost of $2.45 per week per capita, is that correct?

A. That is right; the model groups did purchase.

Q. And in the East South Central States, $2.20?

A. Right.

Q. For white workers?

A. Correct.

Q. And for negro workers, $1.70; is that correct?

A. Correct.

Q. And you concluded from those figures that there was approximately a ten percent differential in living costs between the North and the South for white workers for food costs?

A. I referred to ten percent difference in the cost of acquiring an adequate diet.

Q. Now, professor, is that study of the Bureau of Home Economics a cost of living study, or a dietary study?

A. It is primarily a dietary study; however, if you observe the statement of the authors——

Q. May I suggest—I was going to read it—I was going to read from the booklet that you have before you——

A. They refer to the fact that it is to be used to indicate the cost of the food.

Q. May I suggest that you read the statement that you were looking at in the front of the booklet, which appears on the inside cover of the document in question, on the pink page?

A. The one to which I have referred is this one, and it says:

> The uses of information on food consumption are manifold. Quantitative data interpreted in the light of present knowledge of food values and nutritional needs are basic to programs designed to improve the general welfare. Such facts are needed by public and private agencies charged with the formulation of educational programs, and the development of social policy. Such data are also indispensable in determining the foods to be included and the weight to be assigned to each in the pricing of food budgets and in the construction of food-costs indexes.

Q. Now, this study was based, was it not, upon the observed diets of a sample of the population?

A. Correct. A very careful analysis of the diets.

While we are on that line, I should like to glance over here to another reference——

Q. Now, just a minute, Professor. Let me read a note that appears on the inside cover of the document

to which we are both referring, which is printed on the inside cover and is the matter that I had reference to a moment ago, and it reads as follows:

> This analysis of the content, cost, and nutritive adequacy of diets of families of employed wage earners and low-salaried clerical workers was made by the Bureau of Home Economics with the cooperation of the Works Progress Administration, as a report on Federal Project No. 511, Official Project 65-25-797, and State of Maryland Project No. 7014, Official Project 265-25-6002.
>
> The study was based on about 4,000 records of a week's food consumption, placed at the disposal of the Bureau of Home Economics through the courtesy of the Cost of Living Division of the United States Bureau of Labor Statistics. The records were collected in 1934-37 as a part of a study of income and disbursements for a family living.

So, it is true that this study was based upon a sample of the diets of four thousand families, or four thousand people, is that right?

A. Yes, sir, that is correct. Futhermore, any study of dietary needs or the cost of living would necessarily, under our present set-up, be based upon a sample—the question would be——

Q. Now, Professor, just a moment. I think that we will get along much more quickly if you will just answer my questions, and if you then care to qualify your answers later on, you will have plenty of time to do that.

As a statistician, do you believe that a sample of four thousand diets is an adequate sample for this purpose?

A. Yes, sir, it is the best that we have available.

Q. Now, I am correct, am I not, in stating that this study does not purport to give the cost of similar items of diet in the various sections of the country in which the studies were conducted, is that correct?

A. It does give a tabulation of the cost of identical foods, yes, sir.

Q. Of identical foods?

A. I refer directly to the Table——

Q. Now, just a minute, professor, won't you please let me ask you this question before you go on?

In determining the figures which you used at the outset of your testimony, that is a cost of $2.45 for the North Atlantic States and $2.20 for white persons in the East South Central States and $1.70 for negroes in the East South Central States—are those figures based on identical items of diets for the three groups in question?

A. No, they are not; that is the advantage of this study, as I pointed out very carefully on my testimony on yesterday.

Q. I understand that you pointed it out, but I want to clarify the question there a little bit.

Is it a fact that this study sets up certain nutritive standards?

A. Yes, sir.

Q. And the costs in question to which you refer are diets containing the same nutritive coefficients, if we can speak of them as that?

A. Yes, sir.

Q. In the two sections in question, is that right?

A. Yes, sir.

Q. Now, let us suppose, professor, that a pound of fat back has the same nutritive value and contains the same nutritive elements that a pound of porterhouse steak with mushrooms contains. Let us further suppose that the cost of a pound of fat back is one-half of the cost of the pound of porterhouse steak with mushrooms. Let us further suppose that in the South Central States, the families surveyed by the study of the Bureau of Home Economics ate fat-back seven days a

week while the people surveyed in the North Atlantic State ate porterhouse steak with mushrooms seven days a week. Would you say on the basis of that assumption of facts, that the cost of living in the South was one-half of the cost of living in the North?

A. To answer such a highly impractical hypothetical question forces you into a hypothetical answer.

My answer would be that if the individual purchased the fat meat, possibly in preference to the steak, and obtained it at one-half of the cost, his living cost was lower. In any event, if we can follow the lead of the very impractical assumption that the two products contain the same nutritive value—as a matter of fact, in the classification of foods, they do not in reality come within the same food groups even——

Q. Now, Professor, just stick to my assumption for the time being, will you?

A. Then, my answer is that you cannot separate between nutritive requirements and conventions and desires, and my answer would be if you are going to try to make such a composite and over-all picture, my answer would have to be that the man is living for less money in the South, it is costing him less to live——

Q. Now, just a moment, Professor, please. That was not my question—whether it was costing the man that ate the fat back in the South——

A. Obviously, it costs the man in the South just one-half of what he would have to spend in the North, of what it costs the man in the North——

Q. Yes, obviously, it costs the man in the South just one-half of what it costs the man in the North, but my question was, or my question, it is whether on the basis of that assumed statement of facts, that you can possibly say that the cost of living in the South is one-half of the cost of living in the North?

A. On the basis of the assumed facts, no, I cannot accept the facts as stated.

Q. I wonder whether those facts are quite as hypothetical as you seem to indicate that they are, and I will ask you to turn first to Page 80 of the document to which we are now referring, and I am reading now from the last paragraph on that page, which is as follows:

> Compared with families in other regions, Southern Families—both white and negro—bought a much smaller proportion of their fats in the form of butter and cream. As a result, the price paid per pound for fat was lower, but this choice also resulted in a reduction in the quantity of Vitamin A furnished per pound by fatty foods. However, the large quantities of Vitamin A-rich vegetables commonly eaten in the South compensate in large measure for this rather low butter consumption.

Now, going on to Page 81:

> In selecting meats, Northern families tend to choose a large proportion of the more expensive tender cuts—steaks, roasts, chops—than Southern families, especially more than the negro families. The more tender cuts may be cooked quickly by methods that develop a highly prized flavor, but there is little difference in the nutritive value of the edible portions of different cuts of muscle meats.

Now, turn to page 97, and I desire to read from that page as follows:

> The consumption of all fats was lowest among families in North Atlantic Cities, with average purchases of 40 pounds a person a year, and highest in the South with averages of 62 pounds for white families and 70 pounds for negro families. Butter purchases were highest in North Atlantic and Pacific Cities, with averages

> of 21 and 22 pounds a person a year, respectively. Southern white families bought an average of only eight pounds of butter, but they bought from two to four times as much lard and salt pork as other white families.

Now, I will ask you, Professor, to drop, for the moment, your role as a statistician and let's talk to each other just as human beings. Would you say there is no difference in the standard of living of a worker in the North who has butter every day and a worker in the South who eats only one-fifth of that amount of butter, and, to fill his dietary needs for fats, resorts to lard and salt pork?

A. I have made no comments or statements relative to whether the standards of living were higher in the South or in the North.

Q. But I am asking you to comment on it right now.

A. I would say that the standard of living is lower, as measured by the concepts that you have in mind. However, it does not follow that all of the foods purchased by the Southern families of less expensive foods in each food classification. I desire to read another paragraph from the same page that you have just read from—this is the second one following the one that has just been read, and it is——

Q. What page is that?

A. Page 81, and it reads:

> Southern families purchased more sweetpotatoes in proportion to potatoes than those in other parts of the country. Since prices of sweetpotatoes are higher than potatoes, the prices of potatoes are higher in the South than in the North——

Q. Professor, I think that you had better read that sentence again, because you got tangled up on it a little.

A. All right, I will just start at the beginning of the sentence:

> Since prices of sweetpotatoes usually are higher than potatoes, and prices of potatoes higher in the South than in the North, the average price per pound paid in the South for this group usually exceeded that paid elsewhere.

Now, if we glance over to the table which I previously referred to, Table 48, which is a tabulation of the average prices reported per unit of specified food groups by families classified by level of expenditure, color of family and region, December 1934–February 1937, you will notice the first group is eggs in the North Atlantic States, the price of eggs was 32.1 cents, in the East South Central, 29.8 cents for white families.

Under the milk group, it was 10.3 cents as against 9.2 in the South. There is the extra——

Q. Not in the South, but the East South Central?

A. East South Central. In that group, there is some choice.

You have here commented on the fat group. It is reflected from these figures that the average cost of such marketing as shown there and the fat group is lower in the South, namely 20 East South Central States, 20.9 percent as compared with 25.9 percent in the North. On that list they are more comparable to show a difference, and there is a high proportionate difference, namely 22.4 cents in the North Atlantic States and 19.5 percent in the East South Central States.

For instance, in your Tomatoes, Citrus Fruits Groups, the cost of this fruit group to families in the North Atlantic States in this lower food expenditure group was 8.5 cents as against 6.4 cents in the East South Central Group. In other words, a difference of

2.1 cents or a 33⅓ percent differential lower in the South.

Q. However, it is true, is it not, Professor, that the figures that you gave us at the outset of $2.45 from the North Atlantic, $2.20 for the East South Central states, and $1.70 for negroes are figures which are not based on an item by item identity of diet, but only on an identity of nutritive value, is that correct?

A. That is correct. But the figures that I was reading are likewise not based on identical items. The group that you read on fats is composed of butter, lard, and fat meat, and you were calling attention to the difference in the average cost of that food group. Eggs is one item I entered, and would probably be an exception item, as far as I know. But the citrus fruit group, the last one I referred to, includes tomatoes and citrus fruit. In other words, the virtue perhaps of this——

Q. Just a minute. You have not constructed, have you, from this study, identical diets North and South, and compared the cost of those diets?

A. I certainly have not, and the United States Bureau of Agriculture didn't.

Q. Just a moment. You have (sic) answered my question. Have you made any study of the food preferences of Southern workers as compared with Northern workers?

A. No, I have not; observation and experience.

Q. Do you know whether Southern workers prefer lard to butter, while Northern workers prefer butter to lard, or vice versa?

A. I cannot say.

Q. Now, Professor, what states are comprised in the term "The East South Central" as used in this study?

A. They include, as indicated on page 5 of the report, Alabama and Tennessee.

Q. Only those two states. And how many cities were studied in those two states?

A. Three.

Q. What percentage, Professor, of the total cotton consumption of Southern mills, if you can tell me, is represented by consumption in the two cities which were studied by the Bureau of Home Economics?

A. In the three cities.

Q. Or in the three cities. Pardon me.

A. It would be a comparatively low percentage, but that would be true of any sample you took on the basis on which they took this sample. It is only fair to the Department of Home Economics, Mr. Administrator, to read the statement of how these samples were taken.

Q. Just a moment, before you read that. Let me ask you one other question.

Referring now, not to the cities but to the states in which they are located, what percentage of the total cotton consumption is represented by cotton consumption in the states of Alabama and Tennessee?

A. Of the Southern states?

Q. Yes.

A. I would roughly say 15 percent. Let's see, I would have to check that.

Q. Mr. Borkein says it is about 10 percent.

A. It is larger than that, I do believe. It would be a little over 10—it is a little over 10 percent of the United States total, but remember that 80 percent of the United States total is in the South, and the question related to the South.

Q. I will accept your figures.

A. So it is more, it is about 18 percent.

Q. Now, did you have something you wanted to read into the record?

A. Yes. Now, while on the question of sample communities——

Q. Just a moment, Professor. You are here to answer questions, not to make speeches. I am yielding to you because you said before you wanted to read something from that pamphlet, which we were discussing. If you care to do it, you may, but I prefer you do not launch into a speech.

Mr. CLABAUGH. Did your question not to relate to the matter of the sample, and do you object to his giving a complete answer?

Mr. ABT. All I am objecting to is the speech.

Mr. CLABAUGH. He was going to read something.

Mr. ABT. I am perfectly willing for him to read it, but I don't want him to launch into a speech.

Mr. CLABAUGH. Let him qualify his answer.

The WITNESS. Reading the aforementioned quotation from page 4 of the U. S. Department of Agriculture Circular 507, and observing the care with which these diets were studied indicates how absolutely necessary it was to hold down the number of families in city studies. Not only that, as I will indicate later, I used whenever I could the maximum number. And if you notice the care with which the study was made—and any study of diets must be made carefully to be significant—the consumption of food during the week was determined by taking an inventory by weight of food on hand at the beginning, and the end of the period, and obtaining a day-by-day record of the food purchased or brought into the house from the market, garden, cellar, or other sources of supply. Household scales and other equipment necessary for the weighing or measuring of foods were supplied when needed.

A trained field assistant assisted the housewife in taking accurate inventories, and in keeping careful accounts of the weights of daily food purchases.

The field worker visited the home daily if necessary to assure a completeness of the record. A complete description of each food was entered as a guide, estimating the nutritive value of the diet.

I will read a short part of the next paragraph.

Q. May I make a suggestion, if it is agreeable to all counsel, and that is I think we might save time if either the document itself were made an exhibit in the record or if it were agreed by all parties that it might be judicially noticed by the Administrator and the Courts, and then in all fairness both to the Department of Agriculture and the witness and to all parties the whole document would be available for reference, in case it is necessary.

Mr. CLABAUGH. There is no objection to the introduction, but the witness stated he has just a short part of a paragraph.

Mr. ABT. I have no objection.

Mr. CLABAUGH. I don't think that will delay the proceeding as long as the objection in question.

Mr. ABT. May we then agree that the Administrator and the Courts may take judicial notice of the contents of the documents? It is a government publication.

Administrator ANDREWS. I don't think that should be a question of agreement. I think it should be decided either to have it an exhibit or not.

Mr. ABT. If there is no such agreement I will tender for the record a copy of the document entitled United States Department of Agriculture, Circular No. 507, Diets of families of employed wage earners and clerical workers in cities, by Hazel K. Stiebeling, Senior Food Economist, and Esther F. Phipard, Associate Economist, Economics Division, Bureau of Home Economics, dated Washington, D. C., January 1939, Circular No.

507, and ask it be marked as Textile Workers Union of America Exhibit No. 5.

(T. W. U. of A. Exhibit No. 5, Witness Adamson, marked for identification and received in evidence.)

Administrator ANDREWS. Is there any objection?

Have you finished your paragraph?

The WITNESS. The money value of the food reported was based on prices actually paid in the case of purchased foods. For a few foods which were home-grown or received as a gift, an imputed value was assigned on the basis of current retail prices. In order to determine the extent to which season of the year affects the quantity and kind of food consumed, the nutritive value of the diets, food records from each region were graded according to the season in which they were collected. And then it refers to the season.

Administrator ANDREWS. Would you mind if I asked a question there?

Mr. ABT. Surely.

Administrator ANDREWS. Was there any medical examination made of these families to ascertain the state of their health?

The WITNESS. So far as I know, not. I have talked with the parties in charge of this study, and that was not mentioned.

Q. Now, Professor, I note from the figures which you mentioned at the outset of your testimony in chief that the cost of the dict of white families in the East South Central states was $2.20 a week, while the cost of the diet for negro families in the South was $1.70 a week. Can you explain the reason for that difference?

A. No, I merely quoted the entire quotation from the summary as given in the book by the original authors. To imply the causes that are set out would be beyond the scope of my testimony. If the Administrator

wishes, I could give an opinion, but frankly it would have to be an opinion only.

Q. You have no knowledge then of the items that comprise the negro diet of $1.70 as compared with the white family, items which go into the $2.20 diet for the East South Central states?

A. I know the general rule laid down by the department.

Q. I am speaking of specific items, not nutritive value.

A. No; I do not.

Q. I wonder if you can turn to that, I think it was the first chart which you discussed yesterday, the chart on diets, and for the record that is Chart No. 5. Is it likewise Exhibit No. 5?

Mr. CLABAUGH. That is right.

The WITNESS. Yes.

Q. Exhibit No. 5.

A. All right.

Q. Now, let us take first the top two bars of the chart, Professor; they indicate, do they not, the percentage of families North and South who purchased good, fair, and poor diets, respectively, on a per capita expenditure of $1.25 to $1.87 per week; is that correct?

A. That is right.

Q. And am I correct in stating that the distinction between good, fair, and poor diet is based upon the nutritive content of those diets, rather than the character measured by any other standard of the items which comprise those diets?

A. The only way I can adequately answer that question is to answer it in the words of those who prepared the study, Mr. Administrator.

At the three food expenditure levels, $1.25 to $1.87, at the $2.50 to $3.12, and at the $3.75 to $4.37, a person a week diets of families in different regions were ana-

lyzed individually. They were classed into three groups, according to the nutritive contents per requirement per unit, as, first, those in need of improvement with respect to one or more nutritive element, poor. In other words, your poor is any diet that needs improvement in one or more nutritive factors.

Two, those providing average minimum requirements with a limited margin of safety, fair.

And third, those providing a wide margin of safety over and above average minimum requirements, good.

Good in classification, speaking of the good, the—and then they give the specific and technical evaluation of the diet, and then present this rather popular summary.

These quantities, referring to the good diet, allow about 50 percent leeway above what are believed to be average minimum requirement for protein and minerals, and a generous margin above probable minimum needs for each vitamin, although perhaps not equally generous for each.

And then he discusses the other, but it is on the basis of the nutritive value as set out with liberal requirements, requirements of about 50 percent liberal margin in the classified "good," and only possibly one deficiency is classified as a "poor" diet.

Q. Why, Professor, in preparing that chart, did you make use of a weekly per capita expenditure for food of $1.25 to $1.87 per week rather than some lesser sum?

A. Because that is the lowest expenditure group reported.

Q. Now, can you tell us, referring first to the South Atlantic states, what the total per capita weekly income must be in order to permit a person to expend $1.25 to $1.87 for food?

A. No, I can't directly, because in the amount expended for food, there are a number of elements other

than income. Income is one factor, but choice as to how much will be spent, and social pressure, and a number of other factors enter into it. If you are really interested in information on that point, again it is covered in your bulletin.

Q. I am coming to that.

A. On page 9.

Q. Page 9 of the Bulletin. Page 9 contains a table numbered 4, does it not?

A. Correct.

Q. And that table is entitled "Average Weekly per Capita Income of Families Spending Specified Sums for Food by Color of Family and Region;" is that correct?

A. That is correct.

Q. Let's look at the first column of that table, South Atlantic. Then let's pass over to the fourth column of that table, which is captioned "$1.25 to $1.87," is that correct?

A. That is right.

Q. And opposite South Atlantic in that column, we find the figure $6.11, is that correct?

A. That is correct.

Q. Doesn't that mean that this study shows, insofar as it goes as a sample, that for a person in the South Atlantic states to spend $1.25 to $1.87 a week for food, he must have an income of $6.11?

A. No, I don't think that conclusion follows. The statistics merely say that of the families sampled that had an income of $6.10, spent for food amounts ranging from $1.25 to $1.87. And if you notice the farmers in the North Atlantic states with income of only $4.88, they spend the same amount. In other words, they spend a much higher proportion, it costs them more.

Q. Look, Professor, this study is either an adequate sample or it is an inadequate sample, is it not?

A. Well, that is true, but then you cannot reason backwards on a sample.

Q. No, I know you can't, but it can't be an adequate sample for your purposes and an inadequate sample for my purposes, can it?

A. No, but I didn't compute it to be for your purposes. You are reasoning backwards on it.

Q. Let me ask you another question and see if we agree from the table this is a correct statement of the information shown on that table, and that is that the 98 families in the South Atlantic states who spent $1.25 to $1.87 per capita per week for food, had an average per capita income of $6.11 a week. Is that correct?

A. That is correct.

Q. Let us just talk about those families for a moment. What is the average size of the family in the South, Professor?

A. Approximately four.

Q. Approximately four?

A. It varies for groups of workers.

Q. Well, that is if the 98 families were averaged by families, their total weekly income must have been $24.44, is that correct?

A. Well, that is correct providing my figure—it depends on the family. In order to make a significant analysis we need to know the number of persons in the family. In some states it is 4.3, and in certain groups it runs even as high as 5.3.

Q. It would be $24.40?

A. At least.

Q. Or more, is that correct?

A. Or more.

Q. Do you have any opinion as to how many wage earners there were in those 98 families?

A. I beg your pardon. I don't think I followed you on that first question. I reserve the right to—you

asked how many people there were in the family, and then I answered. Then you multiply the number of people by the—the per capita income—if they are divided—it depends on how the figures are calculated, but if they were determined by the total members in family, your family income of $24.00 or more is correct.

Q. That is right. Do you have any information as to the number of wage earners in those 98 families, number of wage earners per family?

A. No; I do not.

Q. Let us assume for the moment that there was only one wage earner in each of those families. Then in order to spend $1.25 to $1.87 per capita per week for food, that wage earner would have to earn at least $24.00 a week, is that correct?

A. In order to make an income of $24.00—and there was only one man earning—it is quite obvious that he would have to make that $24.00, but there are two vicious elements in the conclusion. It does not follow that an average expenditure of $1.25 to $1.87 can be made only with families in this income group.

Q. No; but you and I are talking about the only information which seems to be available, and information which you yourself produced, and that information is based upon a study of 98 families. Unfortunately, not more families were studied, but we had to do the best we can with the material we have.

It is a fair statement to say, is it not, that if there was only one wage earner in each of those families, that wage earner would have to earn a little more than $24.00, depending on the size of his family, a week, in order to have a per capita income for his family of $6.11, which was the average per capita income for these 98 families?

A. No; it does not follow.

Q. Why doesn't it follow?

A. It merely says that of the families studied, they spent that amount. Maybe other families with smaller incomes would spend the same amount.

Q. I am only talking about the 98 families.

A. Well, they did.

Q. All my questions are addressed to these 98 families. Neither you nor I have any information as to what some other families in the South Atlantic did, so we have to talk about these 98?

A. Speaking about 98 families, there is a considerable difference in saying 98 families must spend, or that they could not spend, $24.00 unless they had an income of a certain amount; merely the statistical fact that, having it, they did spend, there is an entire difference on the same 98 families.

Q. These 98 families could not have earned less than $6.00 per capita if there were four members in the family, could they?

A. And have the family income of the amount——

Q. $6.11 as shown by the table; is that correct?

A. That is the amount of the income, there is no question on that, and the amount they spent there is no question on. But the illogical part of your conclusion is that they could not have spent $1.25 unless the same 98 families had had $24.00.

Q. We are not making that assumption. I am saying only two things, first, these 98 families, on the assumption we have made, had an income per family averaging about $24.00 a week, and second, that these families, these 98 families, spent from $1.25 to $1.87 a week for food, is that correct?

A. They did spend it; yes.

Q. And if there was only one wage earner in each of those families, that wage earner must have earned

the $24.00 all by himself, because there was nobody else in the family earning anything, is that correct?

A. On your assumption that is true.

Q. That is correct.

A. I don't accept your assumption.

Q. No. Just accept that for the moment. Now, let's take a worker in the South at the proposed minimum of 32½ cents an hour. What would the weekly earnings of such a worker be, assuming he was employed full time?

A. Around $13.00. You say 32½ cents?

Q. $13.00 is right, 40 hours, $13.00. Suppose that worker was the sole wage earner in his family, and he had a family of four. What would the per capita earnings of that family be?

A. $3.25 on your assumption.

Q. $3.25. Now, as a statistician, Professor, what is the percentage or range of the percentages of total per capita income of families in a $13.00 a week income group which is normally spent for food?

A. It would normally run around 30, possibly as high as 40 percent.

Q. Well, let's take 30 percent first. The worker in our assumed case, earning the minimum, was making for his family per capita earnings of $3.25, is that correct?

A. Yes.

Q. 30 percent of that would go for food, correct?

A. At least. Probably at that low level 40 percent would be nearer right.

Q. 40 per cent?

A. Probably so.

Q. All right, 40 percent of $3.25 is how much?

A. $1.29, I believe.

Q. $1.26, isn't it?

A. No, $1.29.

Q. So that that worker would have a maximum of $1.29 per capita to spend for food for his family, is that correct?

A. That is right. Well, that is, he probably would spend that. He would have a maximum of more than that to spend.

Q. But he probably would spend $1.29. We are speaking now of workers at the minimum, and one wage earner per family. The per capita average expenditure for that family would be at the very lowest end of your scale of $1.25 to $1.87 a week, is that correct?

A. That is correct.

Q. Do you know how your chart would look, Chart No. 5, if instead of taking the figure $1.25 to $1.87 a week you took the figure $1.25 to $1.30?

A. No; I have no information on that.

Q. You have no information?

A. No.

Q. I call your attention to page 10 of our Exhibit No. 5, Professor, entitled Table 5, Percentage of Family Income Allotted to food by families spending specified sums for food, by color of family and region. Do you have that table?

A. Yes.

Q. That table would indicate, would it not, that in the South Atlantic states families spend 24.4 percent of their total earnings for food if they are in the $1.25 to $1.87 per week per capita class?

A. Of the families studied, they did spend that much. And if you notice in the East South Central the percentage was 31.4 percent, but notice we were speaking at the low-income group. This 31 percent may apply very nicely to the $1.87. As your income increases,

the proportion, the amount spent for food usually increases, but the percentage declines. So I would still say, although it is very well to refer to this table, that this table does not say that people with incomes of $13.00 a week are going to spend only 31 percent of their money, because in this bracket there were people that were probably making as we know, they were making, families were making $24.00 a week, and 30 percent of that, you see, it is an entirely different concept, but so far as I am concerned, you can continue with your original assumption.

Q. Thank you. Now, I note on your chart that you have two bars, one headed North and one headed South?

A. Correct.

Q. And the note on your chart indicates that the term "North" comprises New England the middle Atlantic states?

A. That is correct.

Q. What is meant by the term "the middle Atlantic states," as used on your chart?

A. It is the standard geographic regional classification set up by the United States census.

Q. Just enumerate the states, please.

A. The cases studied in this particular survey in the mid-Atlantic states include five cities in New York and Pennsylvania.

Q. What percentage of the total cotton consumption of the United States is to be found in New York and Pennsylvania?

A. A comparatively low percentage.

Q. What do you mean by comparatively low?

A. It would be a matter of a few percent.

Q. Two or three?

A. Approximately. Let's glance here. The figures are readily available. You said of the United States or of the South?

Q. The United States.

A. Approximately 1 percent.

Q. One percent. So that the figures for the middle Atlantic states are of no great significance as applied to the question of the cost of living of textile workers, is that correct?

A. They are not as significant as some others. But notice this includes nine cities in the New England states that are very germane to our point.

Q. Oh, yes, I understand that. I was just talking about the middle Atlantic states.

Coming down now to the bar headed "South," I notice that you have included there the South Atlantic, East South Central, and West South Central states and combined them, is that correct?

A. Correct.

Q. What states are included in the South Atlantic group?

A. Florida and Virginia.

Q. What percentage of total textile production—consumption—is embraced in those two states, of the United States total?

A. Approximately a percent and a half.

Q. A per cent and a half?

A. Yes.

Q. What states are embraced within the term East South Central?

A. Alabama and Tennessee.

Q. What percentage of the United States total textile production is embraced within—or consumption, rather—are embraced within the consumption of those two states?

A. About 18 percent.

Q. 18 percent of Southern consumption, is it not?

A. Oh, yes, I beg your pardon, it is over 10 percent, around 12 percent of the United States consumption.

Q. What states are included within the classification West South Central States?

A. Texas.

Q. What is the percentage of United States total textile consumption to be found in the state of Texas?

A. It is less than 1 percent.

Q. Less than 1 percent?

A. Yes.

Q. Suppose now, Professor, that instead of constructing——

Administrator ANDREWS. Pardon me, are you questioning about textile consumption or cotton consumption?

Mr. ABT. This is the cotton textile consumption. All of my questions have been addressed to the textile, cotton textile consumption. The witness so understood.

Q. Didn't you?

A. Yes.

Q. Now, Professor, suppose instead of telescoping the South Atlantic, East South Central, and West South Central states, you had constructed your chart first for New England, and second for the South Atlantic states. Would you have shown any difference in results?

A. South Central?

Q. No; South Atlantic states?

A. In the first place I can't say because it was an impossibility. I can't separate between the New England states and the mid-Atlantic, because if you notice in the Table 45, from which this was prepared——

Q. Let me change my question, then. Suppose that you had left your bar for the North as it now stands

on the chart to include both New England and the middle Atlantic states, but instead of using your present bar for the South, you had used a bar representing only the South Atlantic states. Would there have been any change in the results shown in your chart?

A. There would have been for the South Atlantic, but not for the South as a whole.

Q. I am only speaking now for the South Atlantic states. Let's see how material that change would have been. Turn to page 74 of Circular 507 of the Bureau of Home Economics.

A. Yes.

Q. And let's look at the $1.25 to $1.87 (sic) capita per week food expenditure group for the South Atlantic states. Let's look just at the proportion graded at "good." They have a zero for the South Atlantic states, do they not?

A. That is correct.

Q. And that is the same percentage that we find in the North, is it not?

A. Yes.

Q. Let us look at the next column, "Fair." We have 10 percent graded at fair in the South Atlantic states, have we not?

A. Right.

Q. And that is compared with 9 percent for the North Atlantic states, is it not?

A. That is correct.

Q. Then look at the column graded "Poor." That shows 90 percent for the South Atlantic states, does it not?

A. Right.

Q. 91 percent for the North Atlantic states?

A. Correct.

Q. So that if you compare only the South Atlantic states with the North Atlantic states, you would find

that almost an identity of good, fair, and poor diets between the two, would you not?

A. It would be only slightly lower in the South, that is correct. But to answer that adequately, I must say that the primary reason for that, or for not presenting that, was the fact that the figures which you have directed attention to relates to only 20 families, and if you notice in the front of the book, the author sets out "The most intensive analysis has been made of records obtained in cities of the North Atlantic, East North Central, Pacific, and East South Central regions, both because more data were secured in these than in other regions and because there was more adequate representation for each season."

In other words, the authors have said that sample was not adequate, not only—not all of that, if you notice it is based upon only 20 families, North Atlantic on 117.

If you take the East South Central, which I certainly would have done, I would have been very glad indeed to have presented, if I wanted to present a biased picture, because there is every defense of it; the authors say that it is the best sample available of the South. Our figures have shown that it covers ten times the consumption of cotton, that is in the South Atlantic, it is more representative for our purpose. Not only that, but the sample is 114 families.

And notice, in the comparison, if I had put the South Atlantic—I mean the Southeast Central bar here, what kind of a comparison would I have had? In the first place, I would have been covering ten times as many workers as to have followed the suggestion; I would have had a sample ten times as large, and not only that, but one that was expressly stated to be better.

Let's see what the conclusions would have been. Reading from the same table, we find that of the East

South Central, the logical one to put in if you were going to put only one bar for the South——

Q. Just a moment. Would you say the logical one to put in, if you were only going to put in one for the South—now, I admit you have got to do the best you can with the material you have, but if you were making a study of the cost of living of textile employees, wouldn't you normally go for your sample to that portion of the South in which there is the greatest density of textile employees?

A. I would if I could, but you have pointed out as plainly as anyone could that only one percent of the United States total cotton consumption is represented by the two states for which data were included in the South Atlantic group, which has been suggested we put in the bar.

That reason, in fact, Mr. Attorney, is exactly why I did use the South instead of taking any one of the groups. Let me repeat again that if you are going to make a comparison of the individual data set out in the report, the only logical area and figures to take as representative of the South are the East South Central, because, let me repeat, the authors say that the sample was more adequate, they had more information as to seasonal requirements, and that there were 114 families in that sample, and that alone is enough to show that the percentages would be much more accurate.

And then the third point is the one you have very effectively presented, namely, that the East South Central cities represent ten times as much cotton consumption as the bar you suggest.

Now, let's continue.

Q. Just a moment. You are not making a speech, you are answering questions.

A. I reserve the right to complete this later, Mr. Administrator. Is that right?

Q. You have your attorney who can ask you all the questions that he wants to.

A. You asked why I didn't put that bar in, and I have not completed my answer. Let me continue.

Q. Go ahead.

A. As I say, the reason why I didn't was I tried to tell earlier, I combined the three groups, namely, the South Atlantic, the East South Central and the West South Central in order to primarily increase my sample. Not only that, but to get a summary, as much coverage as I could, in the sample.

Not only that, but to avoid presenting the only bar that was significant for an individual group, because it was more favorable than the total. In fact I reduced the picture here, it is less favorable. I called your attention to that.

Using here the only bar other than the one that I did that is in any wise representative of conditions in the textile industry in the South, we find these percentages. There would be 1 percent having good diets, 33 percent instead of 28, this bar would come out to here [indicating], 33 percent would have had fair diets, and not only that, but the lowest group—I mean the poor diets would be reduced to 66 percent instead of 71. Not only that, Mr. Administrator, if for some reason I had chosen the other bar, possible to be chosen, namely, the West South Central, I would still have as equally favorable a comparison. It would not be as good as the East South Central, but in the next income group it would have been more favorable. For instance in this bracket here if I had chosen the West South Central instead of having 35 percent of the families with diets considered poor, I would have had only 25 percent. So I presented again the reason for combining these figures was to increase my sample, get a more representative coverage, and to make use of the diet

that the authors say was most significant without presenting just the most favorable picture.

Q. Have you quite finished, Professor?

A. (No response.)

Q. Sir?

A. (No response.)

Q. Nothing more to add to that question?

A. (No response.)

Q. Then I can proceed. Professor, what percentage of all of the textile workers, cotton textile workers employed in the industry are to be found in the states classified as South Atlantic?

A. I just wouldn't have that. Dr. Tolles presented that information very effectively in his brief, and I haven't reviewed it. He has the opportunity to classify data so much more accurately than I can.

Q. The answer is you don't know.

A. I have not checked the data to be accurate enough to quote it.

Q. Would you say that 80 percent would be a rough approximation?

A. In the South Atlantic? Eighty percent? Oh, my no. It would be only, oh, I would say roughly 6 percent.

Q. Six percent?

A. Oh, no, I beg your pardon.

Q. Carolinas, Virginia, Georgia?

A. Now, you are speaking of the cotton textile division only, are you not?

Q. Well, that is all you and I are talking about today, isn't it?

A. It would be a little over 50 percent, including all of the South Atlantic states in my opinion.

Q. That would include the Carolinas?

A. It would include Virginia, North and South Carolina, and Georgia.

Q. Now, have you any information which leads you to believe that the table on page 74 showing the proportion of good, fair, and poor diets for the East South Central states would obtain on an adequate sample for the South Atlantic states?

A. That is the best sample you have available.

Q. You didn't answer my question. Will you read it, please, Mr. Reporter?

(Question read.)

A. No; it is not covered in this report.

Q. The only information contained in this report upon what you say is an inadequate sample, would show, however inadequate the sample, that the same results would not obtain for the South Atlantic states, is that not true?

A. But it doesn't say that it would not obtain for the cotton section, because half of your sample, or possibly more, for all I know, was from Florida, which is a non-cotton consuming area.

So your figures there, as I have indicated—my answer was that the data was inadequate to formulate any conclusion. It may be, and I am of the personal opinion, and that is all you can have after working with the reports and after having talked with the persons who prepared this report, that the East South Central states that contain mills consuming ten times as much in the South Atlantic is far more representative of the living costs of the people of the textile regions of the South—I mean the South Atlantic.

And I do have reasons apart from this report, namely, the data of my small villages, had three large samples or villages from the cotton Piedmont region, which is the most active textile area in the country. It had, in my recollection, eight from North Carolina, nine from South Carolina, and I believe it was eleven from Georgia, villages.

Mr. Administrator, I do submit on the basis of the information tabulated as a part of this same general survey, namely, the summarization of Consumers Purchases, but not included in the diet—that is the reason I asked the question as I did originally, not in this diet study—but I referred to Chart No. 11 to answer the question—if I had any information as to whether the conclusions I have drawn from these data in any way represents the cotton Piedmont area.

Q. Have you finished?

A. No. As I mentioned, I have those figures of the villages, but I know that there are (sic) least 30 villages in the active part of the areas that you speak of included in this chart. You notice that in those villages, 250, in people or families receiving incomes of 250 to 499, 32 percent saved money. That is, they had income in excess of their expenditures, even at that level; in the next income group, 500 to 749, 36 percent of the Southern families. In other words, in those two income groups we find a substantial number saving, whereas in the New England states, the area with which we were trying to make the comparison, we find no family in the low income group with income above expenditures.

Even in the second gr ıp only 19 are shown, half as many as in the last group in the data that, without the slightest doubt, I can say is the most adequate representation of where the textile workers live in the South.

We have shown that over 60 per cent of them live in rural areas, that is in unincorporated places.

Q. Just a minute. Mr. Andrews, I hesitate to harass this witness, but I would like to ask him to stop making speeches. I am doing it only in the interest of expediency. We are interested in expediting the hearing in order to permit witnesses who have come here and

cannot appear in Washington to testify. I am somewhat at a loss as to how to proceed here without stopping the witness from making these speeches.

Administrator ANDREWS. They are rather lengthy answers, I will say, Mr. Abt. Have you finished that?

The WITNESS. That is right.

Q. Now, Professor, you referred to the WPA study of 59 cities, did you not?

A. Right.

Q. And I think you testified that it appears from that study that on a maintenance budget there is a North-South differential of 7.6 percent in cost of living, is that correct?

A. I refer to data, a special tabulation prepared from this that excludes your large cities. This tabulation was presented—I believe that tabulation was prepared by Mr. Hinrichs and inserted in the report presented by Dr. Tolles. It was either that or the majority report. It is that special analysis prepared from the data compiled by the PWA organization.

Q. What cities were excluded?

A. Washington——

Q. I mean cities of what size were excluded, not the names?

A. Cities of over 500,000.

Q. And you state that on that basis there is a North-South differential of 7.6 percent in living costs?

A. That is right.

Q. And in an emergency diet the differential is 6.6 percent?

A. That is correct.

Q. By the "South" in that statement, you include all states below the Mason-Dixon line, Professor?

A. I believe that is correct. I wish I had that absolutely.

Q. You did not break down the South as between South Atlantic, East North Central, and West North Central, did you?

A. No; I accepted the figures as summarized in that report—no; I refer to a little folded-in sheet that was presented in testimony, a special tabulation made from this, and it shows cities that were excluded, the expenditure level for each city. But it is in the regular—I think it is in Volume 1 of this hearing, on the first day.

Q. Now, it is true, is it not, Professor, on the basis of the W. P. A. study of 59 cities, including all 59 that were studied, that the total cost of living in the New England states is approximately the same as the total cost of living for the South Atlantic states?

A. Including all of the 59. But that was the reason why the special tabulation was made.

Q. I am just asking you one question; when you include all 59. Is it correct that the total cost of living, or the index of the cost of living for New England was 101, and for the South Atlantic 99.6, Table 11 on Page 183?

A. I didn't choose that particular table, but to save time, we will assume those are the correct figures.

Q. A difference of 1.4 percent; is that correct?

A. I didn't follow.

Q. 101 for New England and 99.6 for the South Atlantic, is that correct?

A. That is correct.

Q. In the case of food, do you know what that study showed as to the relative cost of food for New England and for the South Atlantic states?

A. I didn't testify on these total figures.

Q. To save time, let me read it to you, 102 for New England and 102.1 for the South Atlantic states. That study would indicate, would it not, that the cost of identical items of diet for the South Atlantic states was

slightly higher than for the New England states, is that correct?

A. Well, I don't have—yes—no. My report on page 168 shows for the South Atlantic, for food, 103.

Q. I am speaking of 182, the emergency level.

A. The emergency level? I was speaking of the maintenance level. What page is that?

Q. 182, Table 17.

A. It would indicate it was one-tenth of a percent higher, including Washington, which is the highest cost city in the United States, according to this study, and not representative of the textile industry.

Q. Do you know what result would have been obtained, Professor, if you had eliminated from the study cities of 500,000 or over, and compared the cost of living for the New England states with the cost of living for the South Atlantic states?

A. I did not make that analysis, and therefore did not testify.

Q. You don't know the answer to that one?

A. I didn't work it out. It would be lower, however; the South Atlantic would be.

Q. Just say yes or no.

A. I have not made that analysis.

Q. It is true, is it not, that on the basis of the W. P. A. study it appears that the cost of living in the South Atlantic states is in excess of the cost of living in the East South Central and West South Central States?

A. In the cities covered, yes.

Q. Is it not further true that there is a far greater concentration of cotton consumption and cotton employees in the South Atlantic states than in either the East South Central or the West South Central, or those two regions combined?

A. In the areas, but not in the states covered.

Q. In the areas, that is all I am talking about. Is it not also true, Professor, that the W. P. A. study of 59 cities shows a greater intra-regional differential between cities in the South and the differential which exists between the average cost of living for the whole South and the average for the whole North?

A. Individual cases always have a tendency to vary more than averages.

Q. Just a moment, I asked you a simple question which you can answer monosyllabically, by yes or no, then if you care to explain you can go ahead, if the Administrator cares to listen to you, and talk until you finish.

A. The answer is yes, but the individual items that make up an average necessarily vary more than the averages, especially on these small samples. That is just a statistical fact.

Administrator ANDREWS. How much longer will you require?

Mr. ABT. It is very difficult for me to estimate. My questions are relatively few and relatively simple. I think you had better ask the witness how long it will take him to answer my questions.

Administrator ANDREWS. I suppose there are some here who are interested in diet, and I imagine want to go to lunch.

Mr. ABT. I would hope to finish in about fifteen minutes.

Administrator ANDREWS. I am supposed at 1:15 to open the Atlanta office of the Wage-Hour Division. If it is not inconvenient to you, we will adjourn until 2:15.

Mr. ABT. Not at all.

(Whereupon, at 1:10 o'clock p. m., the hearing was adjourned until 2:15 p. m.)

AFTERNOON SESSION

2:15 o'clock p. m.

Administrator ANDREWS. This is a continuation of the hearing on the recommendation of Industry Committee No. 1 for a minimum wage in the textile industry.

You may proceed.

W. M. ADAMSON, the witness on the stand at the time of the recess, having been previously sworn, resumed the stand and testified further as follows:

Cross-examination (resumed) by Mr. ABT:

Q. Now, Professor, will you get out your chart showing gainful workers in Cotton Mills, urban and rural, Southeast and New England States, 1930?

A. Yes, sir.

Q. For the record, the chart for which I have asked and which the witness has now produced is Southern States Industrial Council's Exhibit No. 6?

A. Yes, sir.

Q. Now, the horizontal cross hatching on the bars in that exhibit represents what you call rural nonfarm workers, does it not, Professor?

A. Right.

Q. And does my memory correctly serve me that you testified that by the term "Rural nonfarm workers." you had reference to workers who lived in unincorporated towns or villages?

A. They do not live in incorporated places.

Q. Then they must live in unincorporated places?

A. No, it doesn't follow, because they can live on the farm and be a non-farmer person; the fact that you do not live in an incorporated city does not mean that you live in an unincorporated village.

Q. Any particular spot of land is unincorporated, it is either unincorporated or incorporated, is it not?

A. To be exact, not in cities of 2,500 or less.

Q. By the term "Rural non-farm," do I now understand that you mean workers who live in towns or villages——

A. Or on the farm.

Q. Now, let me finish my question, and then you can answer it.

By "Rural non-farm workers," do you now state that you mean workers who live in cities, towns or villages having a population of between 25,000 and 2,500? (sic)

A. I do not.

Q. Now, what do you mean, then, by "Rural non-farm worker?"

A. I mean persons living outside of incorporated places of 2,500—they may live on the farm or may live in the villages, but they are persons living in rural areas as classified by the census, and working at occupations other than farming.

Q. Let me see if we understand each other, and I will repeat your definition for that purpose. By "Rural nonfarm worker," as I now understand it, you mean people who live adjacent to villages having a population of 2,500 or less, but who are not employed as farmers, is that correct?

A. Not full-time farmers, is correct.

Q. Suppose the worker lives adjacent to a city of 20,000, then, and say—and is gainfully employed in a textile mill in that city, is that person classified as a rural nonfarm worker?

A. He is classified as rural nonfarm.

Q. Suppose a person lives adjacent to a city of 100,000 and is gainfully employed in a textile mill in that city, is he classified as rural nonfarm?

A. He is.

Q. So, then, as I understand you, the term "rural nonfarm" has reference to a worker who does not live in

an incorporated city, town, or village, irrespective of size, and who is gainfully employed in some occupation other than farming, is that correct?

A. That is correct.

Q. Now, what do you mean by the term "Rural Farm?"

A. That is a textile worker that is actually living on the farm and possibly working part time on the farm. That is, he is classed in the census as a part of our Rural farm population, but the very fact that he gave his chief occupation as textile is indicative that possibly the major source of his income is from nonfarm sources.

Q. And how does the census define the term "Farm?"

A. It is any area under one management that has products valued at more than $500; that changes occasionally.

Q. Now, then, am I correct in assuming that your classification of rural nonfarm workers gives no indication of the size of the city, town, or village in which the rural nonfarm worker is gainfully employed?

A. It does not give direct indication.

Q. Does your classification give any indication of the distance from such city, town, or village to the home of the rural nonfarm worker?

A. It does not. Other information does.

Q. Just a minute, just a minute, I am talking to you about this now.

A. All right.

Q. Would it be fair to assume that since this rural nonfarm worker is gainfully employed in a city, town, or village, that his home is within daily traveling distance of such city, town, or village where he is gainfully employed?

A. It would.

Q. Does your chart give my indication as to the location of the stores or other places of business where the

rural nonfarm worker makes his purchases of food, clothing, and other necessities of life?

A. To this extent, it does, that he is living on the farm, or one step removed——

Q. Just a minute, just a minute. As I understood you to say a moment ago, a rural nonfarm worker is not living on the farm, because those workers who live on the farm are classified as rural farm workers?

A. No, sir; a person does not have to live in a village; in fact, that is a very indefinite term; he could have his home out here a ways from anyone at all, but he classifies himself as a textile worker, and he would be a rural farm person.

Q. Now, we have been over all of that?

A. Yes; I know.

Q. And I am asking you whether your chart, Exhibit No. 6, gives any indication as to the location of the stores or establishments in which the rural nonfarm worker purchases his food, clothing, and other necessities?

A. No; except that he purchases where other people living in rural areas would purchase, in all probability.

Q. That is just a guess on your part, is it not?

A. That is an inference drawn from the data.

Q. That is just your inference?

A. That is an inference drawn from the data.

Q. Now, I would like to refer to your Exhibit No. 8, Professor.

A. Yes, sir.

Q. Your Exhibit No. 8 is entitled "Rural Cost of Living, March 15, 1938," is it not?

A. Yes, sir; correct.

Q. "New England, Middle Atlantic, and Southern States," is that correct?

A. Correct.

Q. That exhibit does not break down the Southern States into the South Atlantic, Southeast Central, and Southwest Central, does it?

A. It does not.

Q. That exhibit is an index of prices paid by farmers, is it not?

A. Correct.

Q. And is that index based upon budgets developed from a study of the things that farmers buy in these three areas for which the index numbers are given?

A. Not primarily, although they did use the budgets prepared in connection with our consumers' purchases survey of rural families in weighting their commodities.

Q. Have you any information as to the comparability of the items in the Farmer's Budget in these three areas, and the items in a Rural nonfarm worker's budget in such areas?

A. Yes; I have the questionnaires that were used in preparing or collecting these data and as I have indicated, I am familiar with the weights that were used, that is the weights that obtained in those studies of consumers' purchases.

Q. Have you tabulated Exhibit No. 8 into terms of cost of living for rural nonfarm workers?

A. I have not.

Q. Now, will you get out your charts on family savings in midsized cities?

A. Yes, sir.

Q. For the record, the chart which I have requested is Southern States Industrial Council's Exhibit No. 10?

A. Yes, sir.

Q. Let us first, professor, look at the savings of families in the $250 to $499 per annum income classification. Your chart shows, I take it, that 18 percent of the white

families of the Southeast reported savings, is that correct?

A. That is correct.

Q. What states are comprised in the Southeastern Division?

A. This was based upon a sample survey that included all of the Southeastern States, Virginia, South Carolina, North Carolina, Georgia, Florida, *Mobile*, Tennessee, Mississippi, Arkansas, Oklahoma, Texas, and Louisiana, and also West Virginia and Kentucky. I beg your pardon—just a minute—I was reading from the map here—but I believe that is correct according to the study. It included all of the states in the Southeast and included 1,377 families.

Q. Does the term "Savings" include only cash savings, or, putting it the other way, savings derived from cash income?

A. They would be stated in monetary units, and—

Q. Just a minute, just a minute, let me put it this way: Suppose that a farmer, at the end of 1938, carried over two bushels of turnips in his basement. Would that be included under the term "Savings" in these studies?

A. No; I see no evidence of that. I have the questionnaire before me, and these are all monetary units.

Q. All monetary units?

A. Yes, sir.

Q. You said that the study was a study of 1,377 families in the Southeast; is that correct?

A. Right.

Q. How many of those families were farm families?

A. None.

Q. None?

A. None in the middle-sized cities; no, sir.

Q. Not in the middle-sized cities; that is right. What was the average saving per family in that group?

A. As a matter of fact, in this group, there is a net deficit.

Q. No; no; you don't get my question. The 18 percent of the families recorded savings out of their income?

A. Correct.

Q. What was the average saving per family; of that 18 percent?

A. Those data are not shown in the reports.

Q. Then you have no way of knowing whether those families averaged savings of $1 apiece?

A. That is correct.

Q. Or $100 apiece?

A. They did save, though.

Q. They did save?

A. Yes, sir.

Q. Now, coming to the second bar, or the second part of Bars in the income group of $500 to $749 per annum, I gather from your chart that approximately forty percent, or forty-one or forty-two percent in the Southern families studied, recorded savings, is that correct?

A. Correct.

Q. And about 21 percent of the Northern families recorded savings, is that correct?

A. 21 percent, yes, sir.

Q. Do you have any information as to the average savings per family in the 41 percent in the South and the 21 percent in the North?

A. I do not have direct on the amount of savings; I do know that the families in the New England States had a deficit, an average defict of $141.

Q. You are talking about all of the families in the New England states?

A. Yes, that is all of the families.

Q. And what was the deficit for all of the Southern families?

A. $48.00.

Q. $48.00?

A. About a third.

Q. Did I understand you to say in your testimony in chief, Professor, that you drew the inference from this chart that because 18 percent of the Southern families in the 250- to 499-dollar per annum group recorded savings in an unspecified amount, that those families achieved a satisfactory standard of living upon their income of $250 to $499 per annum?

A. Yes, they were in position to—that is the families that saved—there were 18 percent actually that did not expend what they received.

Q. You didn't get my question, Professor, or you didn't answer it in any case.

What I asked you was whether you drew the inference from that first bar that 18 percent of the Southern families achieved a satisfactory standard of living, a standard of living satisfactory to themselves on their annual incomes of $250 to $500?

A. Referring to the 18 percent families, I did.

Q. That they enjoyed what to them was a satisfactory standard of living?

A. They did.

Q. Are you familiar with the Emergency Budget specified by the Works Progress Administration?

A. I am.

Q. What is the cost of that budget?

A. Around eight to nine hundred dollars a year.

Q. Did you ever try to live on it?

A. No, but I know that thirty-eight—in fact about forty-two percent of the families in the United States as a whole are living—or at least their income is not higher, according to this Consumers Survey. It would not average higher, speaking of the average.

Q. Do you know that the Works Progress Administration has stated that the Emergency Diet is a diet which cannot long be continued without serious consequences to the health of the individual?

A. It is so stated by the Works Progress Administration.

Q. And a $250 per annum income is about one-third of the W. P. A. emergency budget, is it not?

A. That is correct.

Q. In the light of those facts do you adhere to your previous statement?

A. I do, because there are a number of other factors entering into it. Some of these had income that probably were not evaluated in these figures.

Q. What information have you as to what other sources of income they had, not evaluated in those figures?

A. From studies that are made of families in this same area by the Works Progress Administration, I refer particularly to Part Time Farming in the Southeast, the W. P. A. Monogram No. 9.

Q. What you mean then is that some of these families may have supplemented their cash earnings by farming, correct?

A. Correct.

Q. And they would consume the products of their own farm?

A. In all probability.

Q. If they had sold those products and realized cash, that cash realized would have been included in the annual income, would it not?

A. It should have been, yes, if they had sold it.

Q. Was the study so conducted that the cash realization of farm products was included?

A. They included them, tried to, but frequently in taking your valuations you do get some lower figure, although they did try to.

Then there are other points in this, that since you are going into detail—I was trying to avoid that. It is not only food expense, that is only one, and that is the reason these families could live comfortably on that and yet save. I would rather not go into it unless the Administrator wishes.

Q. You are familiar with the fact, are you not, Professor, that the WPA Emergency Budget is not only a food budget, but includes rent, fuel, and all other necessities of life?

A. That is correct.

Administrator ANDREWS. I didn't quite follow you, Professor. You were talking about farm income. This family income is income in middle sized cities, is that so?

The WITNESS. That is quite correct, and a number of the families in middle sized villages own land or gardens, they farm. They have low rents and supplement their income by vegetables and garden produce.

By Mr. ART:

Q. What are the sizes of these middle size cities?

A. Middle size cities are from 25,000 up to 100,000.

Q. Do you think these workers do very much farming in cities of 25,000?

A. I did slightly misstate myself. I was thinking of villages. There would probably in the South be a number of land-owning people, and they would have produce brought directly from the farms, but my statement refers primarily to the next chart, the villages.

Q. Let's come back to this chart?

A. All right.

Q. Do you have any information as to the number of workers included in that 18 percent in Southern families who saved, who supplemented their cash income with farm produce?

A. No; I do not.

Q. For home consumption?

A. No; I do not.

Q. And I think you said that in view of the fact that the cities included in that chart range from 25,000 to 100,000, the number of workers who so supplemented their income was probably not very large, is that correct?

A. Correct.

Q. Now, do you want to withdraw your statement that these 18 percent of the Southern workers who saved in your opinion achieved a satisfactory standard of living because of the fact that they supplemented their cash earnings with farm produce, grown in their own back yards?

A. I merely mentioned that as one possibility. I will not withdraw it, it does occur. It probably is a minor factor, but there are others, if we had time to go into it. However, I call attention to the fact that in testifying in my original statement I did not say why these farmers were able to save.

Neither did I make any general evaluation of the standard of living, except to point out that they were able to maintain themselves, maintain their families at less than the stated income.

Q. What do you mean by the term "maintain their families"? Do you know how many children in those families may have died of starvation while the study was being made? Do you?

A. No information. Maybe they didn't. Maybe the ones that reported savings—no savings—spent their

money on moving picture shows, and automobiles, and had more starving children. My opinion would be, if you ask for a personal opinion——

Q. I am not asking for your personal opinion.

A. ——that the children were better fed in the families that saved money than the ones that showed deficits. But again we are overworking the statistics.

Q. Now, will you look at that first-trend chart that you showed us?

Administrator ANDREWS. May I ask a question there before you leave that chart, Professor?

The WITNESS. Yes, sir.

Administrator ANDREWS. The question interests me because I am not an authority on savings, but from your study do you know how many of those families saved money that should not have saved money?

The WITNESS. No. There is no way to know that. However, I do not think, since it has come up, the savings, I would say the savings were in the form of money savings in savings accounts, investments in business, real-estate purchases. However, they very carefully excluded any changes in the value of property, I think.

Administrator ANDREWS. I mean do you think any of those families may have been penurious to the extent of not sending their children to the dentist when they should have been sent to the dentist?

The WITNESS. The data don't cover those facts.

By Mr. ABT:

Q. Now, will you look at the first trend chart that you prepared, Professor?

A. Yes.

Q. I wonder if we can have the North and South side by side in some fashion?

A. I think possibly it can be arranged.

Mr. ABT. Let the record show that the witness in response to my request has now produced Southern States Industrial Council's Exhibit Numbers 15 and 16.

Q. Now, referring first to Exhibit 15, Professor, Trend in Cotton Consumption, 1913 to 1938, Cotton Growing States; I believe you pointed out in your direct testimony that for the years 1930 to 1935, and on into part of 1936 cotton consumption in the South was below trend; is that correct?

A. Through 1935; correct.

Q. And that in 1936–37 it rose above trend?

A. Correct.

Q. And has now fallen below trend?

A. That is correct.

Q. Did you make any prediction or prophecy as to the future of cotton consumption in the South in your direct testimony on the basis of that chart?

A. I did not.

Q. Now, look at Exhibit No. 16, which is entitled "Trend in Cotton Consumption, 1913 to 1918, New England States." And I think you pointed out there that between 1933 and 1935 actual consumption corresponded very closely to trend; is that correct?

A. That is correct.

Q. And that after 1935, that is for the years 1936, 1937, and 1938, it has been above trend; is that correct?

A. That is correct.

Q. Now, you stated, I believe on the basis of that chart that the long-time trend in the Northeast has been at least arrested, is that your statement?

A. Correct.

Q. In other words, there you are venturing a prediction as to the future, is that correct?

A. We are speaking of abating, just for the time being.

Q. I didn't understand.

A. No; not for any long period of time. I have just mentioned what happened during the recent years. That is, it has not continued downward, and therefore something must have happened, it must have been either just a sloping off, a leveling off, or it might have come back up. But, as I mentioned, it has been abated. The rapid climb is flattening out. Whether it is going back, a second downward trend, or going up, I don't know.

Q. You make no prediction as to the future on the basis of No. 16 then?

A. I merely stated that during recent years there has been evidence that activity—or there is definite evidence that cotton textile activity in the New England states is much higher than it would have been if the long time trend had persisted at the same constant amount each year. In other words, it has not continued downward at the same—according to the same amount that characterized the earlier period.

Q. But it has continued downward, has it not?

A. You notice this is a leveling off here in this period [indicating], almost a straight line, horizontal line, since 1930.

Q. What would you say in recent years, Professor, let's say from 1933 to 1938, as to the relative cotton consumption North and South, has the North been recapturing an increasing proportion of cotton consumption?

A. Yes. The proportion consumed in the South increased steadily after the Civil War——

Q. Let's not go back to the Civil War because that will take a long time.

A. I am coming back.

Q. I started at 1933.

A. All right, 1933.

Q. It was to that, that my question was addressed.

A. In 1933, the proportion was the highest that it had been prior to—in 1932 it was the highest. It stayed about the same in 1933.

Q. What do you mean, the proportion was the highest?

A. That is the percentage of all cotton consumed in the United States. The percentage consumed in the cotton growing states was larger up to 1932—in 1932, than it had been in previous years.

In 1933 it flattened out. As a matter of fact, the proportion was much less in the last half of 1933, and definitely lower in 1934 and 1935.

1936 regained, just about regained the depression proportions. In other words, it conforms, it would have to tie into it. Those percentages I can give you.

Q. Well, just a moment. Let's get a little more specific. Will you refer to your Exhibit 17, and we will get those percentages together. Exhibit 17 is not a chart. Do you have it?

A. Yes.

Q. Have a chair. Now, will you look at Exhibit No. 17 and refer to the year 1933?

A. All right.

Q. Look at the first column, amount consumed in cotton growing states, 5,065,384 bales; correct?

A. Correct.

Q. New England states, 973,464 bales; correct?

A. Correct.

Q. I did a little arithmetic and got the result that in that year Northern consumption was 19.2 percent of Southern consumption. Is that about right?

A. I'll tell you, I should clarify a point here that I studied percentages, I referred to—I studied them over

a period of years, going back to 1840, and those figures are on the gross year. And the percentage I quoted here on the gross years instead of the calendar years, but the same conclusions will hold—I have not calculated these on the particular figures. That would be about right.

Q. I have calculated the percentages all the way down the line. Suppose you note them, and if you find any errors in my arithmetic, you will have ample time and opportunity to correct them. I find this, that in 1933 New England states' consumption was 19.2 percent of Southern consumption; in 1934 it rose to 21 percent; in 1935 it declined to 17.4 percent; in 1936 it declined to 15.5 percent; in 1937 it rose by a tenth of 1 percent to 15.6 percent; and in 1938 it declined to 14.8 percent.

Will you accept that?

A. What was it in 1932?

Q. I haven't the percentage here.

A. You will find it higher—I mean lower in 1932, and earlier years.

Q. Possibly so.

A. That is the point.

Q. Possibly so. But it is true, is it not, that if we take the period 1933 to 1938, with the exception of one year, there was a declining percentage of Northern consumption to Southern consumption?

A. How was that now, state that again?

Q. From 1933 to 1938, during that period, the percentage——

A. The relation——

Q. Just a moment. You asked for the question. Let me reframe it again before you try to answer it. I am speaking of the period from 1933 to 1938, and I am asking you whether it is not a fact that your Exhibit 17 shows that during that period, with the exception of

one year, there was a constant decline in the percentage of cotton consumed by the New England states as compared with the cotton producing states?

A. Compared with the cotton producing states only. But when you are speaking of a percentage, it is well to get a significant percentage on your nation-wide tables—my percentages are based on nation-wide tables.

Q. I am using your exhibit, this is your exhibit.

A. It has declined, but you will find it is still higher than it has been in the United States prior to those that you are comparing.

Q. If you chartered these figures and drew a trend line by the method of least squares for the years 1933 to 1938, that trend line would indicate, would it not, a decline in Northern cotton consumption as compared with cotton consumption in the cotton producing states?

A. The trend in the Southern states in the period stated——

Q. That is not my question.

A. It would be higher than in the New England states, but a comparison is, when you are studying trends, you have to study it over a long period of time, otherwise you haven't any significant—you are studying single——

Q. You have drawn your trend line, and I am asking you one more.

A. The Southern states would be higher, but it would show a flattening of the true long-time trend, whereas the New England states would be flattened, but it would roughly be a downward trend. One is flattening off this way [indicating], and the other is flattening off in the other direction.

Q. Yes, you would be flattening off, but the South is still going up and the North going down at decelerated rates, is that correct?

A. That is correct, the South is increasing at a declining rate.

Q. Now, you recognize, do you not, Professor, that even if the Administrator approves a 32½-cent minimum wage for the cotton textile industry here, there will continue to be a differential in the average hourly earnings between the North and the South?

A. I do.

Q. Am I correct in my recollection that you estimated that the average hourly earnings in the North, after the promulgation of a 32½-cent minimum wage order would be forty cents an hour?

A. No; I did not, because the average is now 44½ cents as shown by the record.

My statement was that mills paying less than the minimum and less than the average in the North now would be expected, on the basis of the Cotton Textile Institute's analysis, to advance their average to 40 cents. I did not apply that to all mills in the North, but only mills now paying low wages in the North.

Q. You said that mills in the North whose average wage is less than the present minimum would advance their average wage to forty cents an hour after the approval of the 32½-cent order—is that your statement?

A. That is correct. That is, assuming the percentage figure set up by the Cotton Textile Institute, and that is also quoted in the Majority Report. They estimated that the average wage in the Northern mills would be 23 percent—or that the average wage in the mills in the North under the N. R. A. Code was 23 percent above the minimum. Well, I was assuming that some of those low-wage mills might come up and accept the 32½-cent minimum, and then applying the 23 percent, you would expect an average wage in those mills of around forty cents.

Q. Those statistical acrobatics are a little bit too much for me, Professor.

Suppose you had a mill in the North with 32½ cent average wage today. Do I understand your statement to be that after the promulgation of a 32½ cent wage order, that that average would rise to 40 cents?

A. You couldn't apply it to an individual mill, but to the general group, and the general tendency would be for the low mills to have to come up.

Q. You say now that you can not apply your principle to individual mills?

A. You can apply it to a general group.

Q. But you can't apply it to an individual mill, is that right?

A. No, but to a group.

Q. And further, you said that you can't apply that to all of the mills in the North as a whole, because of the fact that they have an average of 44 cents in wages now?

A. Right.

Q. But you pick out a group—will you pick out a group now to which you can apply that principle, Professor?

A. That is right.

Q. No, no; I am asking you to pick out a group now to which you can apply that principle?

A. It would be those paying apparently a low wage now.

Q. What do you call a low wage, Professor?

A. Well, if I had the statistics on the minimum wages paid by the individual mills in the North—if you had that, you would have a better means, but it would be those mills that are now paying below the minimum wages, and apparently having the low average wages as reported in this Bulletin 663. My point was that I couldn't indicate the individual mills, but that the num-

ber of mills that would probably be affected in the North is very, very much less than in the South, much less than for mills of that character in the South.

Q. Then, is that your net conclusion from all of these statistics, that a larger number of mills in the South would be affected by a 32½-cent minimum wage order than of mills in the North?

A. And of those affected, a much larger number would be called upon to make adjustments of five cents an hour on the average in earnings, greater than in the North.

Q. And that is the only point that you were making by all of these statistical acrobatics?

A. I wouldn't say that it was the only point.

Q. But that was one point?

A. Yes, sir.

Q. Okeh. Do you accept the conclusion of the Economic Section of the Wage and Hour Administration that after the promulgation of a 32½-cent wage order, that there will still continue a difference in the average hourly wage earnings in the North and the South of some 6.4 cents an hour.

A. There will be a continued difference in the average differential in the average hourly wage paid, but I haven't checked those figures very closely to determine exactly what it would be.

Q. Have you given any consideration to whether that differential would be sufficient to account for even your outside figure on differentials in living costs, or, better, to compensate for it, rather than to account for it?

A. No; I have not, because there are so many other factors involved besides the living costs.

Q. Now, I think, or am I mistaken again—but did you draw any general conclusion in your testimony in chief as to the productivity per man-hour in Northern

mills as compared with the productivity per man-hour in the Southern Mills?

A. Yes, sir; I did.

Q. What was that conclusion?

A. The conclusion was based on the figures released in the United States Bureau of Labor Statistics Report, entitled "Geographic variations in hours and wages, 1933 and 1934"—that the average value added per man-hour in the lines of textile activity stated in that report is lower in the South—that is, the average value added per man-hour is lower in the South than it is in the North, in the same line of cotton textile activity.

Q. Is that the sole basis upon which you made the statement that Southern productivity per man-hour is in excess of the productivity per man-hour in the North?

A. Yes, sir; that is the point, and I explained that very fully in my testimony yesterday, why the productivity per man-hour was lower in the South.

Q. That is right, it is the other way around, rather than as I put my question—is that the sole basis upon which you make the statement that the Northern productivity per man-hour is in excess of the Southern productivity per man-hour?

A. Yes, sir.

Q. That is the sole basis upon which you made that statement, is it?

A. Yes, sir; and I pointed that out very carefully at the time that I gave the testimony.

Q. Your figures of the value added per man-hour were for what branches of the industry?

A. For the cotton yarn and thread and for the cotton woven goods, and there was one other classification, it was a small classification, narrow fabrics, but it was very small, just a small classification there.

Q. Now, under your category of woven goods, Professor, would that embrace all types of goods from osnaburgs and denims and ducks to voiles, would it not?

A. Yes, sir; that is correct; certain widths.

Q. Have you any figures that show the added value per man-hour on voiles in the North as compared with the value added per man-hour in the South?

A. No, sir; I do not.

Q. Are any voiles manufactured in the South?

A. Very few, if any.

Q. Suppose, Professor, that you had two textile mills, both of the highest known type of efficiency, employing workers of equal skill and dexterity, and one of those mills was manufacturing voiles and the other one was manufacturing osnaburgs. What would you anticipate would be the relation between those two mills in value added per man-hour?

A. In all probability, the value added per man-hour would be larger in the mill manufacturing the voiles, however, it depends on certain factors. Your value added is a spread between the cost of the material going into the commodity and the price of the finished commodity, or its value, so I could not say, and I have not the data at hand and couldn't say in which mill the value added would then be the highest.

Q. Well, you have done a lot of generalizing today and yesterday while you have been on the witness stand,—wouldn't you care to make one more generalization, and that is, by and large, for mills of equivalent efficiency, that the value added per man-hour in mills manufacturing fine goods is greater than the value added per man-hour in mills manufacturing coarse goods?

A. No; I am just not in a position, and the data are not at hand for the conclusion.

Q. Would you say it may be true or may not be true?

A. Correct.

Q. Either way?

A. Yes.

Q. And you have no information on that subject?

A. No.

Q. Suppose for the moment that it were true that the value added per man-hour was greater in the case of the fine goods than in the case of the coarse goods. Would that have any bearing on the significance of your figures or value added per man-hour, North and South, as an index of productivity?

A. Not for the purpose I used them for.

Q. For what did you use them?

A. I called special attention to the fact when I used them that they were based upon the items as classified in the report, that they were not strictly comparable in the items entering into those classifications, and I pointed out very carefully that the real significance of the value added per man-hour figure was in relation to the average wage paid in the same industry, and I pointed that out very clearly that the true significance —that the productivity figures I quoted were those, namely, that the value added per man-hour in the North in the identical lines, although they may include some high grade fabrics and do, was relatively much higher than the *wage hour* in the same lines of activity. In other words, you have possibly a higher value added, and you have a higher wage, but the differential, or wage in the South in the Cotton woven goods was only 16 5 pecent below the average in that group of goods in the North, whereas the productivity of the same group, in the same group of goods, was 20 percent lower.

Q. Now, professor, I think that you are shifting your ground on me.

A. Well, I——

Q. Just a minute, just a minute, before you answer. I haven't asked you a question yet. Just a minute.

Will you read the question, Mr. Reporter, that I asked him, to which he responded with this long speech?

(Record read.)

By Mr. ABT:

Q. Will you just answer that one question?

A. I answered it "No," in the way I used it.

Mr. ABT. I think that I will let the record speak for itself on that point.

By Mr. ABT:

Q. Now, Professor, I think you said on direct examination that the only funds from which a manufacturer can pay wages is value added, is that correct?

A. Correct.

Q. I agree with you; I agree with you.

A. Correct.

Q. What else does a manufacturer have to pay out of that fund?

A. All manufacturing costs.

Q. All manufacturing costs?

A. Other than raw materials.

Q. That is right. So that wages are only one of the costs that a manufacturer has to pay out, is that correct?

A. That is most certainly true.

Q. And whatever a manufacturer has left after he has paid all of his costs is profit, is that correct?

A. Including wages; yes.

Q. All of his costs?

A. Yes.

Q. Then, in determining the profitability of a mill, or its ability to pay increased wages, is it proper to look only at the amout of value added per man-hour, and the portion of that value added which is being paid out in the form of wages?

A. Not exclusively.

Q. You would also like to look at the other costs, would you not?

A. Yes.

Mr. ABT. That is all.

Administrator ANDREWS. Anything further?

Mr. SCHLEZINGER. Just two questions.

Administrator ANDREWS. How many did you say?

Mr. SCHLEZINGER. Two.

Administrator ANDREWS. All right; proceed.

By Mr. SCHLEZINGER:

Q. Mr. Adamson, yesterday you showed figures indicating that the group of mills paying the lowest wages had the lowest productivity per man-hour, is that correct?

A. I quoted from Bulletin No. 663.

Q. You quoted that from Bulletin No. 663?

A. Yes, sir.

Q. I believe that you quoted from Table 34 of that bulletin, did you not—that is one of the tables to which you referred, which is on Page 53, I believe?

A. That is correct.

Q. Now, that indicates that the mills producing the same type of material, that as we go up to each group, go up in the wage scale, there is a higher productivity per man-hour, was there not?

A. Yes, sir.

Q. There was a considerably higher productivity per man-hour for mills paying, say, 35 cents over a mill paying, say, 27 cents?

A. Yes, sir.

Q. And from that evidence, you concluded that the mills paying the lowest wages would have a very difficult time in making the adjustments if this new minimum is put into effect, did you?

A. I concluded that along with other facts.

Q. Don't you think that table is a very strong table for higher wages? Don't you think that that indicates rather clearly that as each group of workers who receives higher wages, they apparently have a much higher productivity per man-hour?

A. I don't think that you can adequately found an argument on these data, no, to support that theory. That is as I pointed it out on yesterday, your measures of productivity are so extremely complicated, I mean the factors that make for a higher or a lower productivity are so involved that you are on extremely dangerous ground when you try to isolate any one of those and say that one was the direct cause, and I would not say that at all, and I see absolutely no evidence in there to support that theory, and there is no evidence in this table that the higher productivity shown is because it is in the higher wage brackets, or that it resulted from the payment of a higher wage. To me, it seems very definitely that it could be, and in my opinion, it is a combination of other factors as well, particularly the degree of mechanization of the plant paying the higher wages. That is if the plants——

Q. That is all right.

A. Paying the higher wages and having the higher productivity, in my opinion, you will find that they have a higher mechanization and combining that with more capital, and other elements combine to raise the man-hour productivity.

Q. Your entire study of the cost of living in the South as compared to the North—I believe you said that your studies on that subject tended to show that the

cost of living in the South is less than in the North, is that correct?

A. Yes, sir.

Q. And it was based upon this one study that you mentioned?

A. It was based upon a very careful study of foods, as I have already stated, but I did include more in my analysis than that.

Q. I have a list here of a number of studies that have been made of the cost of living in the North and in the South in the last few years, and I would like to ask you how many of these studies you are familiar with. I will now read this list of studies:

A study by William F. Ogbern entitled "Does it cost less to live in the South," which was published in "Social Forces" in the issue of December 1, 1935.

A study by A. Berglund, G. T. Starnes, F. T. de Vyver entitled "Labor In The Industrial South," Chapter 9, on the cost of living.

A study by Professor William Gee, entitled "Research Barriers in the South," Chapter 5—Professor Gee being of the University of Virginia, and his book being published in 1932.

Inter-City differences in cost of living, March 1935, W. P. A.

National Industrial Conference Board study, 1935, 1937 B. & S. Study, March 1939, the last of which I believe thas been referred to here today.

How many of those studies are you familiar with, now, Professor?

A. I am reasonably familiar with all of them, and I have read, in addition to the analyses that have been indicated at great length this morning, I have read the Gee study, which, incidentally, paralleled the others. Practically all of these studies that you have referred to follow one line of thought, namely, the price of a

uniform budget with only slight modifications was absolutely necessary when obtanin gprices, namely, in your rent, fuels and light, and the prices are taken at the store base, that is, they are quotations as given to them by merchants and as I pointed out, whenever possible, they use nationally advertised products, and then occasionally they bring in sales of mail order houses, and my point in the whole discussion was that such an approach is entirely inadequate for our purpose.

Q. Professor Adamson, isn't it true that each one of these studies point to the fact that the difference in cost of living between Northern and Southern regions are largely mythical, and they also point to the fact that intra-regional differentials exceed inter-regional differentials—isn't that true of all of these studies?

A. That is, in general, a rather accurate statement as made by a number of the parties there to whom you have referred. In general, they point out that there is a difference in the cost of living between the two areas, but that in the popular mind it is exaggerated, and they also point out there are differences within the regions which is, of course, a reality, but since all of these studies follow the same identical general procedure, I say that it would be only logical that they should, and that they would obtain the same general result, but I challenge the entire procedure that they have followed, and I have indicated that our study of the type of study as made by the United States Department of Home Economics is must superior, where they go into the families' homes and find out what is being used and the price being paid, and the values that they are getting, and then they evaluate the type of diet that they are getting, and when they do that, they are taking into consideration all of the variations in customs and usages and the actual cost to the individuals, and they are pricing the commodities as

bought, and they are getting away from the various factors not relative to the study so much, but they are getting absolutely the condition and the methods and the uniformity of the whole set-up. If you take the store prices of nationally advertised commodities and assume the people in all of your areas are going to use those same commodities and just vary the amounts a little among the budget requirements, you are going to show comparatively little difference in the areas, as a matter of fact.

Q. Have you made any studies of the health conditions in the Southern Regions where this weekly payment was made of $1.70 per capita as compared with the health conditions in the Northern Regions where the $2.45 per capita is expended?

A. No; I would not say that I would try to say that as a whole, that you have better health conditions in the North. I did point out the fact that according to this very careful dietary study we discussed here this morning, it was found that the Southern families were able to obtain almost as good a diet at the low figure as the Northern cities did at the much higher figure. That is, for a given expenditure for food, they obtain a larger percentage—that a larger percentage of the families in the South actually obtain what the home economics Section classified as good and fair diets, and we notice that those standards were high.

Q. There has been testimony introduced into this record that there are a number of diseases, including dietary diseases, like pellagra and rickets that are prevalent in a number of these communities in the South. Do you think that one reason for this condition existing in these Southern Communities may be the fact that the families are only expending the $1.70 or the $2.25 per week for food of equal nutritive value as compared with the $2.45 per capita expended in the North?

A. No, I do not. I am thoroughly confident that the Bureau of Home Economics was in a position, and at least, much better qualified to make a careful study to decide whether the diets in the South were good, and I am fully convinced after reading these rather technical papers of the Bureau of Home Economics that any of the families that met any of the good or fair diets in the South, that certainly we couldn't say that the malnutrition had entered into the family.

Q. That is all, professor, except that I want to read you from this bulletin upon which your entire cost of living testimony is based, that is, United States Department of Agriculture, Circular No. 509, on Page 99, the third paragraph from the bottom, which says:

> The pellagra-preventive factor appears to be amply supplied except in the Southeast, where the deficiency among low-income groups is serious.

A. In answer to that, if you put it in the form of a question, I would point out that in my presentation of my chief brief, and this is entirely new, since the matter has only just come up—I made no statement relative to the number of families in the South that had adequate diets, and even if I had done that, that would not have any relation to our problem here today of what the wage in the textile industry should be, or whether it should be advanced to a certain figure now. My point was that the very careful study made by the United States Bureau of Home Economics shows clearly that for a given expenditure of money for food, that the Southern family was able to obtain, a larger percentage of the Southern families were able to obtain an adequate diet than the Northern families could for the same expenditures. Therefore, the conclusion that I reached

was that the food cost of an adequate diet is lower in the South.

Mr. SCHLEZINGER. That's all.